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GENERAL BUSINESS

NUT clips wings of Left

Wall St. up 13.06; gilts lose ground

BY ALAN PIKE, LABOUR STAFF

WALL STREET rose 13.06 to 971.18 in the strongest advance this year. Market sentiment was

Action to stop Left-wingers or other minorities dominating union elections was taken at the National Union of Teachers conference at Eastbourne yesterday.

By a majority of only 23,659 the 238,000-strong NUT voted to make secret ballots obligatory for elections at its 580 branches of committee members, representatives and delegates.

The new rules, which come into force next January, also provide that a branch meeting chairman's decision on any point may not be challenged during the meeting at which it is made.

Membership of the union is allowed to include up to 3,000 people who are to the Left of the Communist Party. Back Page

Spain Cabinet

in trouble over

Communist issue

As Admiral Pita da Veiga Spanish Navy Minister was reported to have resigned in protest at the Cabinet's decision to legalise the Communist Party, King Juan Carlos and Sr. Adolfo Suarez, Prime Minister, sought last night to avert a potential Government and military crisis over the Communist issue.

Page 3

Owen mission

Dr David Owen, Foreign Secretary, arrived in Cape Town last night for the most crucial stage of his attempt to obtain a conference to draw up an independent constitution for Rhodesia. Mozambique accord claimed. Back Page

SALT overture

President Carter arranged a meeting yesterday with Mr. Anatoli Dobrynin, Soviet ambassador to the U.S., to discuss possible ways of making progress in the Strategic Arms Limitation Talks which are due to resume in Geneva at the end of next month. The talks are also expected to cover the dispute over fishing limits.

Tanker ablaze

The Golden Crane, a 19,429-ton Liberian-registered Hong Kong-managed tanker was reported ablaze south of Diego Garcia in the Indian Ocean after an engine-room explosion.

Desai visit

Mr. Morarji Desai, the 81-year-old Prime Minister of India, is to lead his country's delegation to the Commonwealth conference in London in June.

Offer to Agree

Mr. Philip Agee, the former U.S. Central Intelligence Agency officer, whose deportation from London has been ordered on security grounds, can go to Holland for up to three months. It was stated in the Hague.

Ray Gunter dies

Mr. Ray Gunter, a former Labour Government Minister and a former Member of Parliament for Southwark, has died at his Isles of Scilly cottage. He was 67. Obituary, Page 12. Lord Moran, who was Sir Winston Churchill's doctor for 25 years, died yesterday, aged 94.

Briefly . . .

Mr. Liam Cosgrave, Prime Minister of the Irish Republic, discussed with senior Ministers the looming confrontation between his Government and the Provisional Republican movement. Back Page

COMPANIES

COASTAL boosted pre-tax profit from £0.56m. to a record £1.25m. in the year to January 2. Page 30

GENERAL ELECTRIC

has

planned

to take

a 90 per

stake

in the French

company.

Claude,

apparently

because

of

nationalisation

worries

in the wake

of recent

Left-wing

election

gains.

Page 37

MONTEDISON

the Milan-based chemicals group, made another loss last year. Page 37

Ethiopia accused Sudan of invasion. Sudan radio later repudiated the charge.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Asec. TV "A" ... 74 + 4

Booker McConnell ... 150 + 5

GCH Invs. ... 283 + 5

DRG ... 117 + 4

Dow (G.) ... 100 + 3

Dunlop ... 101 + 4

Fitteress, Witby ... 244 + 6

Gilligan ... 276 + 16

Globo ... 470 + 7

Hoover "A" ... 283 + 5

Lloyd's and Scottish ... 88 + 5

Midford Decks ... 74 + 4

Mowlem (I.) ... 118 + 9

Pork Farms ... 105 + 5

Prop. Inv. and Fin. ... 75 + 8

Reed Int'l. ... 220 + 7

FALLS

Tred. 13 Apr. 1977 ... 107. - 1

FMC ... 344 - 4

BP ... 520 + 20

Ultramar ... 156 + 10

Anglo-American ... 107 + 3

BHP Mines ... 975 + 75

Paramontinal ... 62 + 5

Sunsei Best ... 133 + 7

Western Mining ... 390 - 23

Union leaders try to defuse British Airways dispute

BY ALAN PIKE, LABOUR STAFF

An attempt to defuse the worsening British Airways dispute was made by union leaders last night only hours after the action had developed into a total unofficial strike.

Representatives of unions on the National Joint Council for Civil Air Transport offered to withdraw an agreement under which they are doing work of the Amalgamated Union of Engineering Workers strikers, if this would lead to a re-opening of negotiations.

The agreement, which has enabled British Airways to resume about half of its European services this week, is regarded as a "blackleg's charter" by the engineers, who was instrumental in shop stewards deciding to let it move upward without hindrance but since the beginning of last week, when there were especially sharp rises on two consecutive days, there have been signs of official concern.

No secret was made last week of the fact that the Bank of Japan was intervening to

addressed by Mr. Reg Birch, a member of the AUEW executive. An executive meeting may be called later. A meeting of the 4,000 engineering workers is scheduled for tomorrow.

The maintenance engineers have been told by the executive to return to normal working, but the union leaders have now to review the position in the light of the agreement between British Airways and other unions to take over AUEW jobs. This has provoked threats of action by other members of the union.

The airline hoped to maintain the present level of services for several days, but this depends on other workers continuing to co-operate with the management.

An indication that the strike became more difficult now that the strikers are picketing the airport came in a statement last night after a meeting of members of the Association of Scientific, Technical and Managerial Staffs, which represents supervisory staff.

The statement said that under ASTMS rules supervisory staff would not undertake any extra work except the minimum steps necessary to safeguard plant and lives.

To date the shop stewards will

be addressed by Mr. Reg Birch, a member of the AUEW executive.

AHEW shop stewards at Heathrow yesterday decided to 176 votes to move to recommend that day shift maintenance engineers who have continued to work during the dispute take action in support of the 1,250 men dismissed last Thursday, for failing to work during and week-end shifts.

The escalation of the dispute—over demands for higher shift allowances and separate bargaining rights—was a reaction to the agreement reached by British Airways and officials of other unions last week. This has led to management staff doing some of the maintenance engineers' duties and has enabled the airline to restore many services.

Earlier maintenance engineers at Heathrow stopped work in support of colleagues dismissed last week and engineering staff in Stansted joined the dispute.

Half the normal European flights and most inter-continental services operated yesterday. British Airways expects the same pattern to-day.

Plans to operate Shuttle flights to Belfast were withdrawn after

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Yen goes higher against dollar

By Charles Smith,
Far East Editor

The anti-EEC vote matters

BY DAVID WATT

THE STARTLING success of the National Front candidate in the Stechford by-election (third place above the Liberals and 8.1 per cent of the vote) has generally been taken to be a sinister tail-out of the racial problems of the West Midlands. Commentators nod sagely and mutter "of course, they're deep in the heart of Enoch country there."

Good sense

I don't doubt for a moment that race had something to do with it although Stechford itself is not in fact a constituency with much of an immigrant population or much racial trouble. But I am equally sure that race is not the whole story or even the major part of it. Some of the shrewdest politicians on both sides of the political fence came to the conclusion, after facing the Stechford electors in the streets and from the platforms, that opposition to the Common Market was a far more potent factor than opposition to the blacks.

It is naturally difficult to substantiate this belief with hard evidence. It is mostly a matter of "feel," based on the volume of applause for certain questions at a meeting rather than for others, or on the kind of problems raised on the doorsteps in a quick canvass. But it makes a good deal of sense. The kind of people who vote for the National Front — mostly the disgruntled lower-middle-class — inhabit a psychological world in which a sell-out to the immigrants by treacherous conspirators in Whitehall and a similar sell-out to the "wogs who began at Calais" are equally plausible. But this normally sparse band has been swollen at present by quite a lot of people who do not share the general National Front psychology, but who simply observe that the National Front is the only party, apart from the very far Left, which is unequivocally opposed to the EEC.

Now one might say, very reasonably, that in a constituency the size of Stechford the fact that only 2,955 people voted for the National Front is not evidence of any vast surge of opinion; and if one assumes that some of those were what one might call "regular" National Front voters, and others have been drawn in by the immigrant question, the conclusion about anti-Common Market sentiment is pretty precarious.

Just the same, I believe that it should be taken seriously, for two reasons. First, it is evidence of strong feeling among a significant percentage of the voters. The National Front has had enough name with the public at large for it to require a good deal of internal pressure to cause the normal elector to cast aside his normal habits and vote outside the pale.

Most to lose

These figures make very unpleasant reading for all the major parties, but particularly for Labour which has most to lose anyway (since feeling is strongest among its natural supporters) and which, because it forms the Government, carries the can for most of the EEC's unpopularity. It is also, incidentally, hard to see the Liberal Party making much headway either independently or in association with Labour in this climate of opinion.

The question for the practical politicians is how to react. Of course, for anti-Market Ministers like Mr. Peter Shore or Mr. John Silkin, it is all pure jam. What about moderate Marketeers, like the Prime Minister, or strong Marketeers, like the new Foreign Secretary, who have to try to stem the tide — and not only stem the tide but continue to work usefully within the EEC?

Traditionally statecraft would suggest some gestures to placate anti-Market sentiment and an avoidance of the issue at all possible times. To be more specific in the present context, it means taking a strong national line on the common agricultural policy and food prices and trying to get over the direct elections problem in a way that will not be a gift to the anti-Marketeers.

This approach naturally arouses the ire of our EEC partners and those who wish the Community to develop, however gradually, on supranational lines. And for myself, I suspect that the Government may have to pay a higher price than it realises within the Community for its present rather neo-Gaullist posture. But it is important to recognise the insidious political dangers that would lie in wait at present for their System 4 equipment. Identical configurations will be installed at Newcastle in June and at the Department's new

RACING

Boldboy can win again

THE TOTE Free Handicap, run over seven furlongs, far enough, whereas Imperial Guard, another who figures prominently in the most difficult races of the season to assess, and this afternoon's edition (3.15) is no exception.

Few of the competitors for today's race have run this year, and the form show by those that have done so is nothing to enthuse about.

The one that many in addition to myself, would like to see win is the Queen's Fife and Drum, and it seems that this horse, too, has a head in a driving finish with Honeyblessed, and though he is now seven years old, Lady Beaverbrook's gelding may win

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AMERICAN NEWS

Venezuelan President to tour MidEast

Strong advance in retail sales for second month

BY DAVID SELL

Venezuelan President Carlos Andres Perez will begin a five-nation tour of the Middle East on April 20, writes our Caracas correspondent. He is expected to discuss the dual-pricing systems for oil with other OPEC members and is scheduled to visit Qatar, Kuwait, Saudi Arabia, Iran, Iraq, Venezuela, which has exercised a moderating influence at OPEC meetings, was one of the prime movers behind the establishment of the organisation.

The Associated Press also reported yesterday that U.S. President Jimmy Carter and Sr. Perez would meet in Washington on June 20. In Venezuela, President's forthcoming trip forms part of a wide-ranging series of foreign contacts that last year brought Sr. Perez to London, the UN, Rome, Moscow, Madrid and Lisbon.

Chile condemned

The secretariat of the inter-parliamentary union yesterday described the military government of Chile as one of "the most totalitarian regimes ever known." UPS experts from America in a report to the 120th meeting of the union, it pointed out that President Augusto Pinochet himself described Chile's new constitutional framework as "totalitarian democracy."

Brazil delay

President Ernesto Geisel has delayed his announcement of a massively restructured Brazilian political system, originally expected on Monday. A PPI report from Brasilia says the President has cancelled a trip scheduled for Thursday, indicating that Congress is likely to remain recessed until at least next week.

Argentine petition

Twelve Argentine families have filed a petition with the Supreme Court seeking information on the disappearance and apparent arrest of 425 persons, among them a prominent labour leader and a former university rector. UPS reports from Buenos Aires, "The petition said, "A writ of habeas corpus had been filed in all cases with no result."

U.S. RETAIL sales advanced today that unemployment strongly last month for the remains very high and that the second month in a row providing figures "should not make any further evidence that the one think we don't need to do more economy is recovering rapidly from the effects of the severe winter.

The Commerce Department expects "continued good sales increase for the rest of the year particularly in the second and third quarters of the year," and the latest University of Michigan consumer confidence survey supports this assessment. It shows consumers are now markedly more optimistic than they were six months ago, despite the winter and despite concern about the possible "sacrifices" that may be demanded by the forthcoming energy proposals to be unveiled on April 20.

Opponents of the Carter Administration's \$50 tax rebate are likely to cite these figures as a further reason why the President's economic stimulus package is not needed, but Mrs. Courtney Slater, the Commerce Department's chief economist,

WASHINGTON, April 12.

noted today that unemployment rates, inflation, in particular, is still causing great anxiety in the financial markets and this is not likely to be much allayed by the new wage and price policy that the President is to launch at a news conference on Friday.

This measure is expected to be deliberately low key and to steer clear of even a hint of voluntary, or compulsory wage and price guidelines. Mr. Carter has already publicly ruled them out but so far this has not been enough to remove the suspicion in the minds of some industrialists that they may be on the horizon anyway. There is some evidence that fear of such controls is one of the reasons for the continued reluctance to invest on the part of some major industries.

However, this optimism is not shared in Wall Street which is more worried by inflation and by

Honda may build U.S. motorcycle factory

TOKYO, April 12.

HONDA MOTOR Company has said that it is considering a plan to manufacture its motorcycles in the U.S., but declines to comment on a report in a Tokyo newspaper that it will start construction of a factory on the U.S. West Coast at a cost of over £1,000,000 by the end of this year.

The report, in the financial daily Nihon Keizai, said Honda is interested in motorcycle and car production in favour of free enterprise solutions. But it is by no means clear that this attitude can be maintained over the next decade together with a largely unrestricted international trade policy.

Honda said it plans to export 230,000 cars and 390,000 motorcycles to the U.S. and Canada this year, as compared with 197,000 and 247,000 respectively last year.

BY ANTHONY COCKERILL

THE PROBLEMS of the U.S. steel industry are similar to those of other nations: rising costs, low profits, faltering demand, and inadequate investment. Whereas producers elsewhere are turning increasingly to their Governments for assistance, this remedy has so far been eschewed in the U.S. which to American eyes appears possible only because Government assistance in the form of protected home market and subsidies.

Finances apart, two other factors may send the industry plans awry. Mini-mills which melt scrap in electric furnaces are providing stiff competition for the major integrated producers, especially in common grades of bars and rods. They currently account for about 5 per cent of total steel production and there are signs that their expansion is at an end. The success of mini-mills depends upon

judging by present trends, this is likely to exceed the funds available by between \$650m. and \$1,750m. a year. The prospects are low overhead and operating

IMF terms for Peru opposed

BY HUGH O'SHAUGHNESSY

THE PRESIDENT and four directors of the Peruvian Central Bank are opposing conditions the International Monetary Fund (IMF) is laying down for the grant of large new credits.

The Central Bank officials, according to a report by Inter Press Service, have written a memorandum to Dr. Luis Barrios, the Economy Minister, protesting that the conditions suggested by the Fund for any new loan are too stringent. The Fund is reported to be calling for the limitation of inflation this year to 15 per cent, as against a rate of 25 per cent, favoured by the Bank and a level of 45 per cent last year. The Fund is also calling for a tight ceiling on Government expenditure. This is taken to imply a reduction of Government subsidies on staples, a rise in the price of petrol, a big new devaluation of the sol and an increase in taxation.

The Central Bank is opposing

WASHINGTON, April 12.

calls for municipal elections in a year and full national general election in 1980.

The Aprista Party of the veteran populist leader Sr. Victor Raúl Haya de la Torre has demanded the lifting of the Government's emergency measures so that public discussion can be less inhibited.

There has been speculation recently that a Partido Velasquista, a political group taking its inspiration from the former President, General Juan Velasco, and seeking to put into practice the radical policies of the early years of the military Government, would be launched.

Last year Peru registered a balance of payments deficit of \$500m. and \$800m. During the year the Peruvian Government obtained some \$1.4bn. in foreign credits, including \$565m. in support for the balance of payments. So far the Government has not accepted the IMF conditions and is hoping for better trade figures.

In the political arena, intense discussion is continuing about the military Government's draft plan, the Tupac Amaru plan, to introduce parliamentary government abolished in the coup of 1968. The Tupac Amaru plan

WASHINGTON, April 12.

The U.S. State Department has sent cables to its embassies and missions informing them an embargo on American soybeans exports is not under consideration.

Diplomats said the cable reinforced recent statements by Mr. Bob Bergland, the Agriculture Secretary. It said the current situation was completely different from 1973, when the U.S. imposed a limited embargo on soybeans.

Continental Telephone said a joint venture in which it has an interest has been awarded a \$320m. contract for the design and installation of a telephone cable network in Teheran. Continental said in a statement the contract was awarded by the Iranian Government to a group consisting of a continental subsidiary, and Fortres-Leas, an Iranian engineering and construction firm.

and steel shipments were both for meeting part of the shortfall caused by raising new equity seem slim, because of the industry's low profitability, although both United States Steel and Inland managed to float new issues during 1976. In Professor Marshall's analysis, sufficient price increases were assumed to match rises of raw material and labour costs. But the state of demand and the Government's concern with inflation make it unlikely that any further contribution to cash flow will come from imports, and Government pressure to contain prices.

The poor cash-flow of the industry hit severely by the recession will inevitably reduce the amount of re-equipping and modernisation that can take place. This is a serious problem in view of the large amount of old plant which is still in use and the fast rate at which steel-making technology has advanced in recent years. During the 1960s, when profits were relatively good, the obsolete open-hearth furnaces were rapidly replaced with basic oxygen furnaces which made steel in a tenth of the time. Between 1960 and 1973, steelmaking by the basic oxygen route rose from about 5 per cent of the total to over 60 per cent. (The corresponding U.K. figure is 51 per cent.)

Corporate

Another means of increasing profitability is to reduce costs. The scope will depend on the level of new investment in the future, but by comparison with its international competitors, the steel industry in the U.S. has a respectable track record for efficiency. In 1973, ten man-hours were required to produce a ton of steel, a performance bettered only in Japan (18.5 man-hours), and markedly superior to the 21.1 man-hours per ton in the British industry. The co-operation of the steelworkers' union in the quest for higher productivity, and hence higher earnings, has become a major factor in this.

The steel industry favours changes in the level and structure of corporate taxation as the solution to the supply of funds problem. In 1975 the AISI put forward a five-point plan for reform. One proposal was for an acceleration in the rate at which capital costs are recovered for tax purposes, reflecting the severe effect of inflation on replacement costs. The other proposals were for a 12 per cent. investment tax credit; the immediate write-off of the costs of pollution control equipment; improved provision for encouraging the discovery and exploitation of raw materials, both within the U.S. and abroad; and less onerous corporate taxes.

If the steel lobbyists are unsuccessful in this, the reduced investment rates will be necessary. The industry already views with alarm the trend that may be imposed by the steel producers, pressurised by the Government for protection. If import restrictions are introduced they will be accompanied by price controls to contain the power of the major companies.

How extensive any import controls that may be imposed will be, it is impossible to say. The steel producers, pressurised by the Government for protection, very much like supping with the devil; if import restrictions are introduced they will be accompanied by price controls to contain the power of the major companies.

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OVERSEAS NEWS

Vietnam to shift another 6m. to rural areas

ANOTHER 6m. of Vietnam's 80m. population is to be moved to rural areas, the official Vietnam News Agency said today.

A long dispatch written by Nguyen Khoa Viem, editor of the Vietnam Courier monthly magazine to mark the second anniversary of the communist capture of Saigon, said two years of "liberation" have failed to "convince the Saigonese that working on the farm is the best life."

"In the south, there are several million people more used to doing business than to

In the last of his series Lasse Jensen looks at Saigon's decline.

Tattered remains

LANDING AT the airport of Ho Chi Minh City, formerly Saigon, is like walking into a museum. Nearly lined up along the runways of what used to be the world's busiest airport stand the tattered pieces: scarred and burnt-out helicopters, transport aircraft, and jet fighters in their hundreds, in sandbagged shelters.

Our Russian-built Tupolev jet stops in front of the main terminal building. In the background more than 50 American-built planes are parked, side by side, painted in the Vietnamese colours. A single sentry in green, shabby fatigues with helmet, Ho Chi Minh sandals, an AK-47 automatic rifle slung across his back, seems to be the only one guarding the huge area with its enormous arsenal.

Our interpreter is from Hanoi. It is his first visit to the South and he does not like what he sees. "It's too dirty and crowded," he says, "and besides, Hanoi girls are more beautiful, they don't use makeup."

At first, Saigon looks like Saigon, not like Ho Chi Minh City: crowded, busy traffic, an excess of boulevards, small streets, shops, street vendors, hawkers. Thousands of Honda motor-bikes roar, ridden by long-haired youths, with girls on the pillion seats, sitting sideways, wearing their traditional silk dresses that flutter in the air.

During our first sightseeing trip we pass the enormous building which was the American embassy. We drive along Tu Do Street, the old pleasure highway of Saigon. Most of the bars, tailor shops, Indian money-changers and airline offices have been closed; most of their owners gone with the Americans.

Opposite the Caravelle Hotel, home of hundreds of correspondents and of the Australian embassy during the war, stands the Oriental Palace Hotel where Graham Greene wrote his Orient American some 25 years ago. At that time the city must have looked as it does to-day, much more Vietnamese than during the war.

Bicycles seem to have reappeared in their thousands. Owners of private cars must leave them at home: only motor cycles get petrol rations, of five gallons a month. "You have to have a very good excuse to burn up petrol alone in a private car," one city official explains.

American soldiers no longer stroll down Le Loi Street. Only a small handful of Europeans are left, some Swedish trade delegates. French businessmen, and a few, carefully selected visitors.

The most wanted man in 20 years of guerilla war is now a deputy Prime Minister.

We cross Newport Bridge, where the Saigon army made its last, futile stand. North of the city, on our way to visit a rehabilitation centre for former prostitutes and drug addicts, we pass Bien Hoa air base, once the world's biggest military compound. The barbed wire had rusted, some of it has been removed. Small shops and huts have been erected where the barb-wire had been blown down. New names, with banners and slogans are everywhere.

This is not a truly Vietnamese city: one city official explains, "It's an Americanised city, hidden in overpopulated surroundings which, given time, will become Vietnamese again." Hanoi spent its life here. Before the northern troops arrived he worked as a journalist on the surface, organising resistance underground.

Most of the administration is run by southerners. Some of the familiar names from the Provisional Revolutionary Government of South Vietnam have been made ministers in the central Government at Hanoi. The most wanted man during 20 years of guerilla war, Pham Hung—a southerner from the Delta—is now a deputy Premier. He lives in Saigon.

"We want to halve the population of Saigon from 4m. to 2m.," an official tells us. "But we have to do it carefully. The first attempts to make people leave were made in 1975. Almost 600,000 went, mostly newly-arrived refugees. "But in our hearts we did not prepare adequately housing, foodstuffs and other supplies, and that created many problems. To-day we have been widened. There are differences between North and South which takes a long time." He says, "Prostitution is still exists black marketing is rampant. But they are on the

Cabora dam electricity reaches S. Africa

By Quentin Peel

JOHANNESBURG, April 12.

THE STATE-controlled South African electricity supply commission, Escom, is receiving its first supplies of power from the Cahora Bassa hydroelectric scheme in Mozambique, and officials here are confident that their full contract will be honoured.

Official Government figures say 1m. have moved out of Saigon since the Communist victory on April 30, 1975, most of them to so-called new economic zones, undeveloped jungle or paddy plots.

UPI

Simples of up to 400MW are already available. When the first and second stages are completed by the end of the year, South Africa should be receiving a total of 1,400MW. By the time the whole scheme is completed in early 1979, Cahora Bassa, which was conceived when the Portuguese were still in control of Mozambique, will have a total capacity of 1,920MW, of which Escom expects to receive 1,760MW.

It is thought likely the price for the power will be dependent on a sliding scale. The original contract rate was R0.3 per kilowatt-hour. But it is understood that the Portuguese-controlled Hydroelectric de Cahora Bassa (HCB) company is seeking a price nearer R0.6. Mozambique is expected to earn some R12m. (£8m.) annually.

Supplies from the scheme will never constitute more than 7 per cent of South African electrical consumption, Escom says, and may amount to only 3 per cent.

In an attempt to deal with this, the authorities have restricted the tour of duty for Bo Drios (liberation soldiers) in Ho Chi Minh City to a few months.

Rumours claim that banks of ex-Saigon soldiers still occasionally clash with Government troops in the countryside, but the incidents seem more of a nuisance than a real problem for the authorities. "You cannot expect 25m. people to become very revolutionaries overnight," one veteran Western diplomat says. "With economic crisis, two successive bad harvests, 3.5m. unemployed, hundreds of thousands of guns and people who know how to use them, you have an explosive cocktail.

The amazing thing—and that amounts to a small miracle—is that the situation is calm and relaxed."

Everyone is required to work with his hands now—a month's compulsory manual labour is the rule for all.

None of the observers spoke to had seen or heard of massacres or executions. One southerner described the allegation as "wishful thinking of refugees." He did say, however, that the process of "reeducation" had created problems. High-ranking officers and civil servants of the old regime ("puppets" is the official designation) have now spent more than 18 months being re-educated. Conditions in their camps are reported to be harsh. "They have to learn to work with their hands," one official said.

Everyone is required to work with their hands now. A month's compulsory manual labour, Chinese style, is now the rule for everybody, from "high cadres" downwards.

In the countryside, one can see the work in progress. Thousands of young people, knee-deep in mud, digging an irrigation canal with their bare hands, for their food and 6p a day.

Irrigation projects have high priority. Although the fertile land of the Mekong Delta could yield several crops a year, a decade of bombing, burning, and defoliation have created massive waste lands which need water. In the South, 16 major irrigation projects have been undertaken, according to the army daily, Nhan Dhan—in 1976, 1,627 canals, 15 dykes and 2,358 dams were built or repaired.

The southern provinces of Vietnam today are a highly complex society. Most of the work places place in the countryside. The few developments in the rural areas. The cities can wait. But they have to be fed. The countryside was where the war was fought, where the destruction took place, where the majority lives and the food is produced.

In describing the situation in the South in 1977 the westerner always falls into the trap of describing the cities. Ho Chi Minh City is not the South. It is in fact completely different from the rest of the country. Fed and nourished by the war, it grew from a population of less than 1m. in 1954 to 4m. to-day. But it has a drive and sophistication which seems lacking in Hanoi.

The Hondas are beginning to appear in the streets of Hanoi, too. The influx of southern émigrés to high Government jobs in Hanoi has created a new atmosphere, different from the austere and disciplined way of life during the war.

Most of the administration is run by southerners. Some of the familiar names from the Provisional Revolutionary Government of South Vietnam have been made ministers in the central Government at Hanoi. The most wanted man during 20 years of guerilla war, Pham Hung—a southerner from the Delta—is now a deputy Premier. He lives in Saigon.

"We want to halve the population of Saigon from 4m. to 2m.," an official tells us. "But we have to do it carefully. The first attempts to make people leave were made in 1975. Almost 600,000 went, mostly newly-arrived refugees. "But in our hearts we did not prepare adequately housing, foodstuffs and other supplies, and that created many problems. To-day we have been widened. There are differences between North and South which takes a long time." He says, "Prostitution is still exists black marketing is rampant. But they are on the

Katangans want to oust 'old rulers'

BY OUR FOREIGN STAFF

WHILE THE conflict in Zaire continues to raise increasing concern in the rest of Africa and beyond, the leadership of the rebel army fighting its way across the Shaba province in the southeast of Zaire is insisting that it has no accessionist aims

General Nathaniel Mumba, the leader of the invaders, maintains that their aim is to "drive (President) Mobutu from power and set up a government of national unity. We want new men, not old, burn-out rulers," he said in his first interview since the invasion began in early March.

Such a declaration is not surprising, given the general's sympathies in black Africa to separation and the developing internationalisation of the Zaire conflict. But the majority of General Mumba's force is French and Belgian nationals who have refused to fight us,

were fighting alongside President Mobutu's forces and that some populations of towns which have staged demonstrations in our favour."

Gen. M'Bumba, a former Katangese police officer in his mid-twenties, who was sacked by President Mobutu's regime, said that the FLNC had not cut the Benguela railway, which runs to Angola through territory which the Front holds, but was not allowing traffic on it.

The current military position in Shaba is far from clear. The Kinshasa government last week reported that the rebels were heading towards Kolwezi where President Mobutu's troops were dug in and unprepared for defence.

The general, whose forces have been moving eastwards from the Angolan border towards the key copper-mining centre of Kolwezi, said that he wanted the same to continue functioning normally.

The general said that President Mobutu's army had no morale. "We have found tank drivers buried in with padlocks. Officers denied reports that his government has sent military advisers

to Zaire since fighting broke out.

Ethiopia accuses Sudan of invasion

ADDIS ABABA, April 12. ETHIOPIA has accused Sudan of sending troops deep into its territory, who it says are locked in battle with Ethiopian detainees.

The charges were made in a protest memorandum delivered by the Ethiopian Government yesterday to the Organisation of African Unity at its headquarters.

The memorandum also accused Sudan of using artillery and tanks against Ethiopian posts on the border between the two countries, and charged that Sudan was "pursued for further invasion of Ethiopia."

Sudan gives open support to secessionist guerrillas fighting Government troops in Ethiopia's northern province of Eritrea, and has also given covert support to anti-Government forces in the Northwest provinces of Begemidj and Simien.

But there has been no previous report by Ethiopian officials of direct involvement by Sudanese forces.

The Damses daily Al Baath, which speaks for the ruling Baath party, charged that Israel may now prepare for another war against the Arab States and urged those to remain in state of maximum alert.

Sarkis replaces security chiefs

BY ISHAN HIJAZI

PRESIDENT ELIAS SARKIS has appointed new security chiefs in Lebanon.

To replace Col. Ali Hajj as commander of the Arab troops, President Sarkis appointed Lt.-Col. Sami al-Khatib, a Moslem who had in the past served as the second-in-command in military intelligence in charge of national security.

Meanwhile, efforts have been intensified to try to end the fighting in southern Lebanon between right-wing militiamen and Palestinian guerrillas and Lebanese left-wingers.

Mr. Vassil Arafat, the

guerrilla commander-in-chief, was reported yesterday to have ordered a ceasefire after visiting the scene of the fighting near the border with Israel.

Mr. Arafat's visit there followed talks in Damascus with Syrian leaders.

ON OTHER PAGES

International Company News: Grangus recovery prospects EIB Euro-yen terms 36/37

Farming and Raw Materials: Nickel supplies Portuguese timber 39

Peres' remarks worry Arabs

By Our Own Correspondent

BEIRUT, April 12.

THE ELECTION of Mr. Shimon Peres to lead Israel's ruling Labour Party in next month's general election has evoked Arab apprehension, which his statements after being chosen as party leader have not quietened.

The Damascus daily Al Baath, which speaks for the ruling Baath party, charged that Israel may now prepare for another war against the Arab States and urged those to remain in state of maximum alert.

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Money comes to life at the sign of the Black Horse

WORLD TRADE NEWS

The international bank with special expertise in Saudi Arabia

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LEGAL NOTICES

No 6957 of 1977
 In the HIGH COURT OF JUSTICE
 Chancery Division Companies Court, in
 the Matter of DANAEC LIMITED
 and in the Matter of The Companies Act,
 1963.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was filed on the 28th day of March 1977, presented to the said Court by THE WHOLESALE FITTINGS COMPANY LIMITED, 110/123 Grosvenor Road, London SW1 YQA, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LS, on the 2nd day of April 1977, and that the said Company desires to support or oppose the making of an Order on the said date, and to have the same made in its name, or in person or by its counsel, for that purpose; and a copy of the Petition may appear at the time of hearing, in person or by its counsel, and a copy of the said Company's documents supporting such copy on payment of the regulated charge for the same.

POLLARDS,
 11 Soho Square,
 London W1V 5DB.
 Ref: KS
 Tel: 01-439 5761.

Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post, his address so as to reach the Petitioner in writing of his name and address of the person, or if a firm the name and address of the firm, or firm, or his or their solicitor (if any), and must be served, or, if posted, must be sent by post, in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 22nd day of April 1977.

No 6958 of 1977
 In the HIGH COURT OF JUSTICE
 Chancery Division Companies Court, in
 the Matter of MANDALE BUILDERS LIMITED and in the Matter of The
 Companies Act, 1963.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was filed on the 11th day of March 1977, presented to the said Court by JAMES CLARK & EATON LIMITED, whose registered office is at 100 Portland Place, London NW1 4UJ, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LS, on the 28th day of April 1977 and any creditor or contributor of the said Company desires to support or oppose the making of an Order on the said date, and to have the same made in its name, or in person or by its counsel, for that purpose; and a copy of the Petition may appear at the time of hearing, in person or by its counsel, and a copy of the said Company's documents supporting such copy on payment of the regulated charge for the same.

POLLARDS,
 11 Soho Square,
 London W1V 5DB.
 Ref: KS
 Tel: 01-439 5761.

Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post, his address so as to reach the Petitioner in writing of his name and address of the person, or if a firm the name and address of the firm, or firm, or his or their solicitor (if any), and must be served, or, if posted, must be sent by post, in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 22nd day of April 1977.

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Ref: KS

Tel: 01-830 6761.

Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post, his address so as to reach the Petitioner in writing of his name and address of the person, or if a firm the name and address of the firm, or firm, or his or their solicitor (if any), and must be served, or, if posted, must be sent by post, in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 22nd day of April 1977.

COMPANY NOTICES

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS LIMITED

NOTICE TO HOLDERS OF BEARER

NOTICE IS HEREBY GIVEN that the

Associated Portland Cement Manufacturers Limited, 301/311 Grosvenor Road, London, W1X 9LS, will be holding on Thursday, 5th May 1977, at 12 noon, the Annual General Meeting.

To receive the Report of the Directors and the Statement of Profit and Loss for the year ended 31st December 1976 and

the Audited Accounts for the year ended 31st December 1976.

NOTICE OF RECORD DATE

We will determine June 30 (Thursday)

1977 as the record date for the issue of dividends on new shares.

(d) Mr. T. R. Chestersell,

3. To re-elect as a director Mr. H. M. B. Studd, who has been appointed since the last Annual General Meeting by Order of the Board.

Secretary.

Portland House,

Staple Place,

129 Strand, London WC2R 4EP.

LONDON CERTIFICATE

STOPPERS' REGULUS COUNCIL

NOTICE OF RECORD DATE

LOST CERTIFICATE

It is hereby certified that the Certificate

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and that a duplicate Certificate

should at once be issued.

London, W1C 2AP, 3PM.

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erospace
exports

Kevin Done, industrial
and THE first time since
he began to show a
line with the value of
£20m in January
deliveries falling by
nearly compared with
two months earlier.
figures produced by British
airlines show the average
£25.6m in February
last year, compared with
£23.3m in February
two months ago. Airfares
fell by just over
15.1 per cent.

The export performance
suggests that the industry
will face great difficulties
in the coming year. The
performance and the
problems that will face the
industry after vesting of
the 29th April.

The Government has
considerable criticism over
years of delays due
to the passing of the
Nationalisation Bill. This
caused several problems
while the latter
remained uncertain.
gradual running over
seas orders for 600
is now being reduced
industry's export figures
according to the latest
have been very low.
the exports of aircraft
parts by \$1.2m. In the
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and other equipment
including guided weapons,
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and so on, improved
earnings.

At the major de-

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share this year.

In the U.S. confidence in

the market for air

parts and parts.

change of
Abu Dhabi
plant

James Burton

more than three years
in association with Western
Gas, Abu Dhabi has
since its first
construction plant itself obtained
contracts to its engineering concerns.

It said yesterday
also that it had
signed a \$400m contract
engineering and construction
of two natural gas plants.

Earlier Flug said a
contract estimate for
design, engineering and
construction management
in a gas plant.

It completed the project
earlier than expected
and more than
a set of gas which
to produce 185,000
barrels of oil
per day.

The project is due

completed in 42 months.

Abu Dhabi originally signed

Abu Dhabi Petroleum Com-

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in 1973. Last April

shareholders of AF

40 per cent of the

the Abu Dhabi Gas

Company's 60 per cent

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Agreement

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**FINANCIAL
TIMES**
**Oil and the
Norwegian
Economy
CONFERENCE**

A nation's finances begin to reap the benefits

BY FAY GIESTER

THE OIL SECTOR of Norway's economy may this year contribute its first surplus to the country's balance of payments current account. Mr. Per Kleppe, Norwegian Finance Minister, said today.

In the opening speech at a conference on Oil and the Norwegian Economy, sponsored by the Financial Times and the Norwegian Journal of Commerce and Shipping, Mr. Kleppe said that from now on, the value of oil and gas exports was expected to exceed significantly current spending on imported drilling and production equipment, as well as interest and dividends on invested foreign capital.

He revealed, however, that even in the short term, there was now greater uncertainty about the rate at which production would rise. New output forecasts implied a lower level of production over the next few years than the 90m. tonnes of oil equivalents a year often mentioned as a "moderate" depletion rate.

Strategy

On the Norwegian economy generally, the Minister said the country had come through the deep world recession with rising production and a high level of investment. Exports of goods and shipping services had been severely hit, but, in contrast with most other nations, Norway had managed to keep unemployment down to reasonable level. Full employment remained "the first economic priority," he declared.

Norway's strategy over the past two years of compensating for the shortfall in foreign demand by stimulating domestic demand had led to stronger inflationary pressures than in some countries. Attempts had been made to limit these pressures, but labour costs, together with the effect of the upward floating of the Norwegian krone, were declared.

had to some extent reduced the competitiveness of industries. Lars T. Platou, first vice-chairman of Norwegian banks, and Mr. another, would be increasingly dominant.

The large payments deficits of man of the Norwegian Conservative recent years had reflected the five Party, discussed the effects Government's counter-cyclical of increased State involvement in policies, as well as heavy North Norwegian banking.

Mr. Platou pointed out that Se investment and the continuing sluggish shipping public participation in freight market. As oil export banking had been part of the increased, however, the Government's Labour Party, programme expected that the foreign deficits would gradually disappear and be replaced by a "stabilization" or "nationalisation" of the commercial banks.

But these words were not popular in Norway, so the Labour Party and the present minority Government had sought "less offending forms" for introducing increased public control of the commercial banks, said Mr. Platou.

New terms have been coined such as deprivatization and now "present policy stance of some democratisation." But the basic idea remained the same — to increase public control over the banks.

The Government had put before the Storting (Parliament) a Bill proposing "drastic changes" in existing legislation concerning the commercial banks. While this did not amount to outright nationalisation, the proposed measure would put shareholders in a minority on the banks' committee of representatives, thus depriving them of their right to govern the banks.

Once the Bill had been passed, the number of unemployed in their own countries or in their economically weaker trading partners.

With the possible exception of the United States, nations with large payments surpluses and reasonable rates of inflation remained "very hesitant" in their approach to the commercial banks.

The result is plain enough — a significant reduction in the number of unemployed in their own countries or in their economically weaker trading partners.

Mr. Juergen Reinhardt, director of West German Commerzbank, reviewed the role West German banks have played in North Sea financing. The amounts became Mr. Platou added, only small.

Some Labour politicians had agreed on a rotating equal system of management to obtain the capital required for the Ekoisk Norske-Norpige project.

Norway's borrowing requirements were unusual, he pointed out. Whereas borrowers normally looked for long-term loans, the Norwegian need was to bridge the period of payments deficits until "the great breakthrough happens in oil exports" around 1979-80.

Banking

Mr. Berger A. Lenth, deputy managing director of Den Norske Creditbank, Norway's largest commercial bank, spoke on "increasing the international role of the Norwegian economy" action of one sort or another.

Technical

It was not surprising he declared that the non-Socialist Opposition had pledged itself to repeal the new law if it won a majority in the September Parliamentary elections.

Mr. David Thomson, director of Lazard Brothers, spoke on the prospects for rearmament in shipyards, still an important industry in Norway. He said the determining factors were likely to be the Flimmark wedge must be

His comments seemed to conflict, to some extent, with the views expressed by Lord Chalfont, a former U.K. Minister of State for Foreign Affairs, who spoke after him. Lord Chalfont gave considerable weight to the imbalance of forces on the Soviet and Norwegian sides of the border, in Norway's far north.

In terms of a land battle, he pointed out, there was only one regular Norwegian brigade, stationed up there, compared with two Soviet mechanised divisions on the other side of the border.

This gave the Soviet Union a four-to-one advantage, and "the option of a quick attack across the Flimmark wedge must be

Another agency investment is of \$95,000 in a new company, Highland Metals, which is establishing a galvanising business in Elgin in an agency-built factory.

The agency is providing a loan of up to £42,000 and taking a 10 per cent stake in another new company, Philcom Electronics, which is establishing a factory in Dunfermline to manufacture a range of temperature-compensated quartz crystal oscillators for use in military communications equipment.

Cash for Scottish industry

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

THE SCOTTISH Development Agency yesterday announced a series of five industrial investments totalling £500,000 in ventures ranging from ship repairing to metal galvanising.

Among them is a 26 per cent stake in ClydeDock Engineering, the new Upper Clyde ship repair company, which began work yesterday on its first vessel at the former Alexander Stephens repair yard at Govan.

The Government-backed agency is investing £100,000 in the company.

ClydeDock, which has other backing from Scottish businessmen, has four other projects booked in over the next month.

It expects to build up its workforce from the present 100 to about 200 early next year. It received 650 job applications before opening.

Together with the Clydesdale Bank and the Scottish Economic Planning Department, the SDA is also investing in the rescue of Scottish Tool Manufacturing Company, a collapsed Kilmarnock engineering business.

The report identifies the imbalance of market strength between footwear manufacturers and distributors as one of the chief problems.

"Though there are notable exceptions, the steering group believes that too many distributors have taken advantage both of their size and of the buyers' market that has prevailed in recent years to squeeze manufacturers' margins and prevent them earning the returns necessary if new and attractive products are to be developed and marketed, and exports expanded."

However,

British Shoe, in a confidential memorandum to Mr. Varley, has vigorously disputed the case advanced by the group.

The steering group offers support for "any appropriate authority which has access to

and can call for more detailed and confidential information in investigating the matter further."

All distribution

Such an investigation should cover all footwear distribution, the report says.

The Office of Fair Trading has been investigating whether there is a case for a monopoly reference.

Hints have also been dropped that Mr. Roy Hattersley, the Prices Secretary, is considering

criteria, a loss is being suffered,

footwear retailers to the Price Commission.

The steering group reports that gross margins in footwear retailing have risen faster since the war than margins in retailing in general, and, with two exceptions, were higher in 1971 than in any other of the 23 sectors for which data is provided.

The report conceded that special circumstances might apply to each of the sectors, and that conclusions which could be drawn for such comparisons were a matter for debate, but says the issue could not be "expected to pass without comment."

The steering group also focuses attention on the impact which imports particularly low cost and dumped products, had on the industry.

Over the past three years imports have climbed by 18% pairs to take 42 per cent of the declining U.K. market.

Despite impressive achievements by some British companies, the industry's exports have failed to make good in losses, and footwear exports fell 20% in deficit on trade last year.

The report highlights the industry's failure to tackle its internal problems, pointing to weaknesses in marketing, design, product planning and financial control. The industry's overall net pre-tax profit margin on sales has fallen to less than 4 per cent and, on inflation accounting criteria, a loss is being suffered.

Fund launched to fight Windscale building plan

FRIENDS OF THE EARTH

ORGANISATION

OF THE EARTH

FRIENDS

HOME NEWS

SNP surges ahead in poll

By Ray Perman,
Scottish Correspondent

WITH THREE WEEKS to go to the Scottish local government elections the Scottish National Party has emerged with a commanding lead over the other parties. An opinion poll published yesterday gave it 36 per cent of the vote compared with 27 per cent each for Labour and the Tories.

The SNP will fight 450 seats of the 777 in 53 district council elections. In 1974 it fought 288 seats in the first contests for the newly reorganised authorities.

Its biggest prize could be wresting control of Glasgow from the Labour Party, which has held the city for decades.

In Edinburgh the party will challenge the Tories for leadership.

Mrs. Jeanette Jones, vice-chairman of the SNP, said nationalists could win control of nine district councils. At the moment they control one and are the biggest party on two others.

But they are avoiding a decisive contest in three major cities. In Dundee nationalists are not contesting any seats. In Aberdeen they are fighting eight of 45 and in Perth they are fighting only seven of 29. In Dundee there is a reluctance to take power in a city with so many entrenched problems, but the other decisions may betray a lack of confidence by local party organisations.

The breakaway Scottish Labour Party announced yesterday that it would field more than 30 council candidates in what could be a make-or-break test.

The opinion poll, conducted by Systems Three for the Glasgow Herald, gave the SNP its biggest lead since the last general election. The result is particularly bad news for the Conservatives, who have claimed that they have been winning back support in the Tories.

Submarine in plastic

VICKERS Slingsby engineers have built what is claimed to be the world's first plastic mini-submarine.

The submarine, which costs £500,000, has been a closely guarded secret for five years— even during trials in Scotland. It has passed sea and depth tests, and is going into production at the Kirby Moorside, Yorkshire, plant of Vickers Slingsby, which is part of the Vickers group which makes nuclear submarines.

The three-man, rust-free submarine, needed for North Sea oil work, will last 10-15 years longer than the metal equivalent.

Japanese cars in new ranges

TWO JAPANESE car manufacturers are introducing new ranges on the U.K. market.

Mitsubishi Motors has revamped its Lancer models, while Honda is introducing a series of improvements to its Civic 1200s.

The Colt Lancer range now includes a five-door 1400 estate, a sports type steering wheel, which is completely new to Britain. The other newcomers and

Port Talbot strike costs BSC £26m. in lost output

BY NICK GARNETT AND ROY HODSON

LOST STEEL production at the Port Talbot works because of the electricians' strike has cost the British Steel Corporation about £15m. up to now. Losses will continue to accumulate at a rate of nearly £2m. a day until the dispute is settled.

The customers who will be hit first and most severely by a prolonged Port Talbot strike are the tinplate users. All tinplate production goes into tin cans and packaging boxes for biscuits and other foods. Metal Box, which takes more than 60 per cent of all British Steel's tinplate production is apprehensive and has asked British Steel to state clearly future prospects for supplies.

So far, Metal Box and the other can makers have continued to receive adequate supplies because of emergency British Steel arrangements, including some steel imports.

The can makers try to keep tinplate stocks on hand to cope with expected production for some weeks ahead. But they point out that any serious strike will cut the shortfall of hot rolled coil.

The decision to import coil was taken after consultation with the unions. But Mr. Wyn Bevan, convenor of the 520 striking electricians, has given a warning that action might be taken by the electricians' strike committee to halt the imports.

British Steel is sending all the hot rolled coil steel that it can from other works round the country to the South Wales tinplate plants, which normally draw their steel from Port Talbot.

Ravenscraig, Scotland, is supplying and so is Shotton. The electricians, who have

been on unofficial strike for nearly three weeks, are concerned about the erosion of pay potential and demand that responsibility for pay rises be claimed by five men who will operate new equipment should be extended to all the strikers. The money involved appears to be about £10 a week for each man.

British Steel says wage rises for a small number of workers might be justified, but it says there are no grounds for paying the extra money to other members of the Electrical and Plumbing Trades Union. Such a payment, the corporation maintains, would be a breach of the two pay policy.

Other unions have told British Steel that concessions to the strikers would disrupt British Steel's pay structure and would have repercussions elsewhere in the Port Talbot area.

The emergency supplies of steel from other British Steel works and from Europe mean that there is no danger at present of any of the tinplate works at Vellindale, Trestre, and Ebbw Vale, to close.

But demand for tinplate has been booming for months and British Steel—Britain's only producer—has been finding it difficult to make enough to satisfy its customers as demand has climbed beyond 1m. tonnes a year.

The emergency arrangements for switching steel about to supply the work will inevitably result in some loss of efficiency and lower production. The tinplate users are concerned to know just how badly they will fare should the strike continue.

British Steel has arranged to import 70,000 tonnes of Continental steel, so far valued at more than £1m., to help make up the shortfall of hot rolled coil.

The decision to import coil was taken after consultation with the unions. But Mr. Wyn Bevan, convenor of the 520 striking electricians, has given a warning that action might be taken by the electricians' strike committee to halt the imports.

The committee says it is examining the situation and will report to the next meeting of strikers scheduled for Friday.

Shop stewards are insisting that there will not be a vote on whether to return to work unless there are specific management proposals.

The electricians, who have

NEB buys 71% stake in Mollart Engineering

By Roy Hodson

THE NATIONAL Enterprise Board has bought 71 per cent of the issued share capital of Mollart Engineering, which specialises in high-quality work from a former Mollart director and two large shareholders, S. Pearson and Son and Prudential Insurance.

The Mollart family will retain 29 per cent of the company and Mr. Ken Mollart will continue as chairman and managing director.

An important part of the Mollart range is the grinding machine tool. Mollart is the only British manufacturer.

The NEB's anxious to maintain British capacity in gun drilling. In spite of its name the machine is little used for making weapons but is vital for boring long holes in precision engineering work.

Mollart makes sophisticated machine tools, universal joints and a range of other precision products. It is planned to extend the product range. One probability is that the company will bring out a new range of universal joint in metric sizes for export.

For £32,000 the NEB is buying a business running at a pre-tax level of £120,000 last year on sales of £1.5m.

There is no question of the NEB's taking on a lame duck.

But the new support will give Mollart an opportunity to develop.

To begin with the NEB has agreed to make a medium-term loan facility of £200,000 available to the company for expansion.

Mr. J. H. Murray, a divisional director of the NEB, will join the Mollart Board.

Engineering talks in new forum this week

By Our Labour Correspondent

ENGINEERING UNION leaders and employers will meet this week for the first time in a revised national forum designed to give both sides a regular chance to air the industry's labour and other problems.

Such a forum was promised many months ago when the Confederation of Shipbuilding and Engineering Unions and the Engineering Employers Federation signed a new procedure agreement for the industry.

In a submission to the transport industry's economic development committee, the association steps up its campaign to bring UK regulations into line with proposed limits in other EEC countries. The current U.K. limit of 32 tons is considerably lower than the EEC proposal of 40 tonnes and is a cause of considerable aggravation to continental hauliers.

Hauliers operating to the U.K. from the continent have to do with reduced capacity and the Channel ports and the association suggests that the harmonising of weight limits would improve the atmosphere for negotiations on increased permit quotas.

Its proposals face stern opposition from environmental pressure groups.

Audit committees urged

BY MICHAEL LAFFERTY, CITY STAFF

PUBLICLY QUOTED companies should establish committees of non-executive directors to liaise with the external auditors according to a report from a top international accountants group.

The policy of establishing such "audit committees" is accepted in the U.S. and Canada

and the U.K. It is particularly pleasing that their long campaign against dumping has resulted in the harmonisation of weights and measures across the globe.

The group believes that audit committees would help directors

to fulfil their broad responsibilities. The quality of financial reporting is one of the directors

of the hardest nut of all has been cracked.

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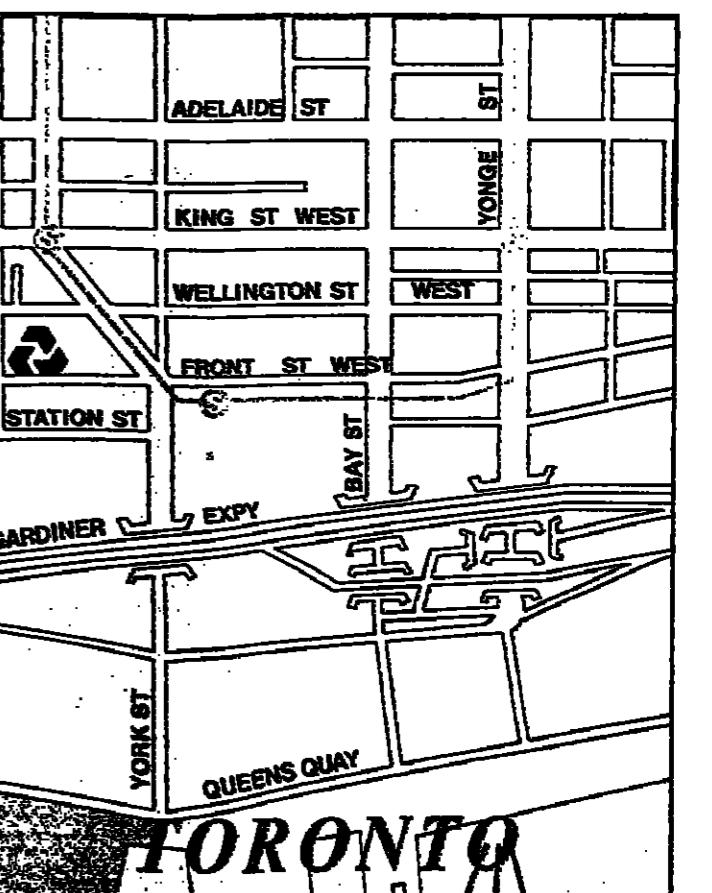
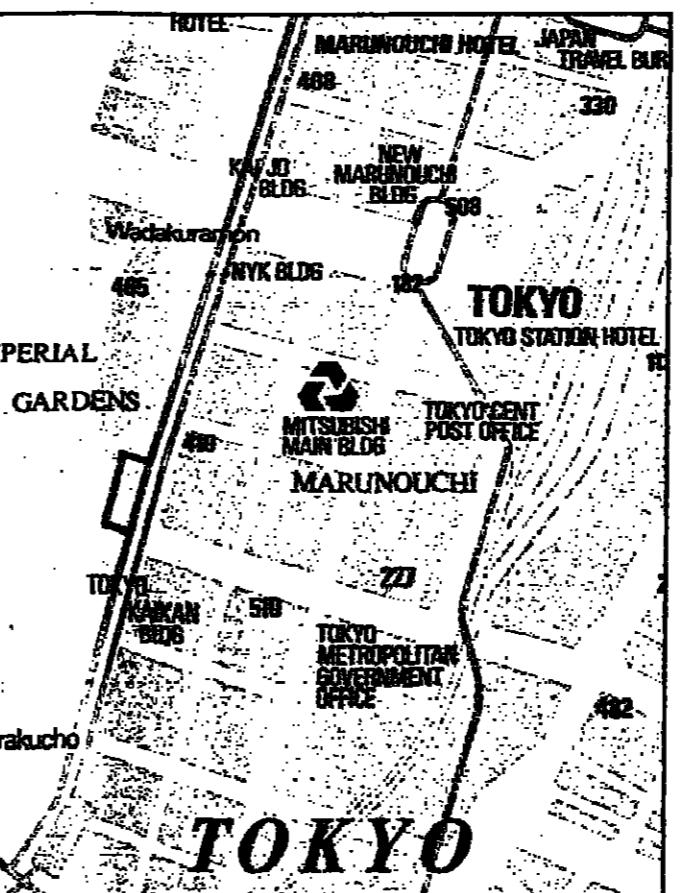
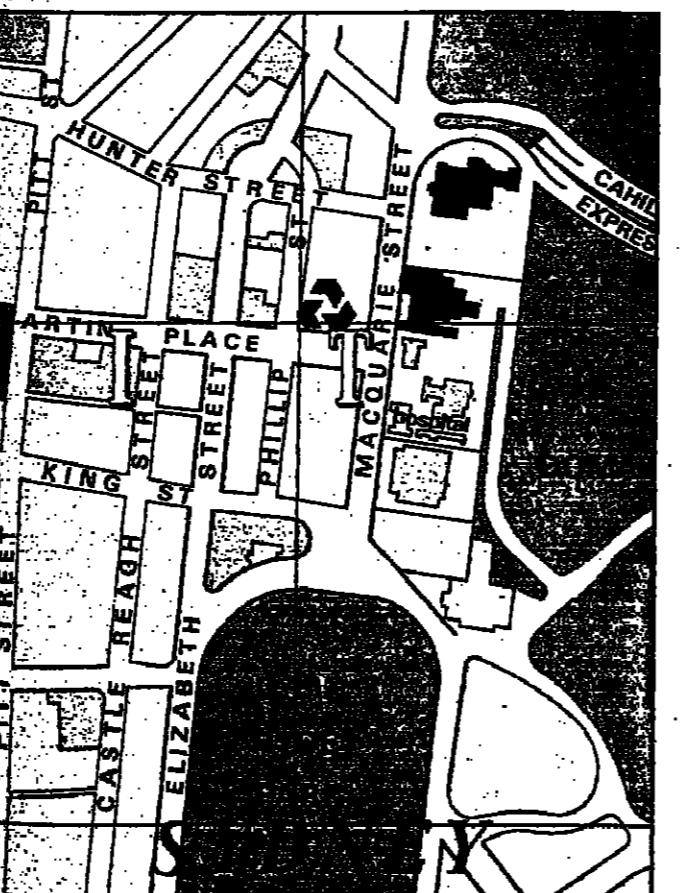
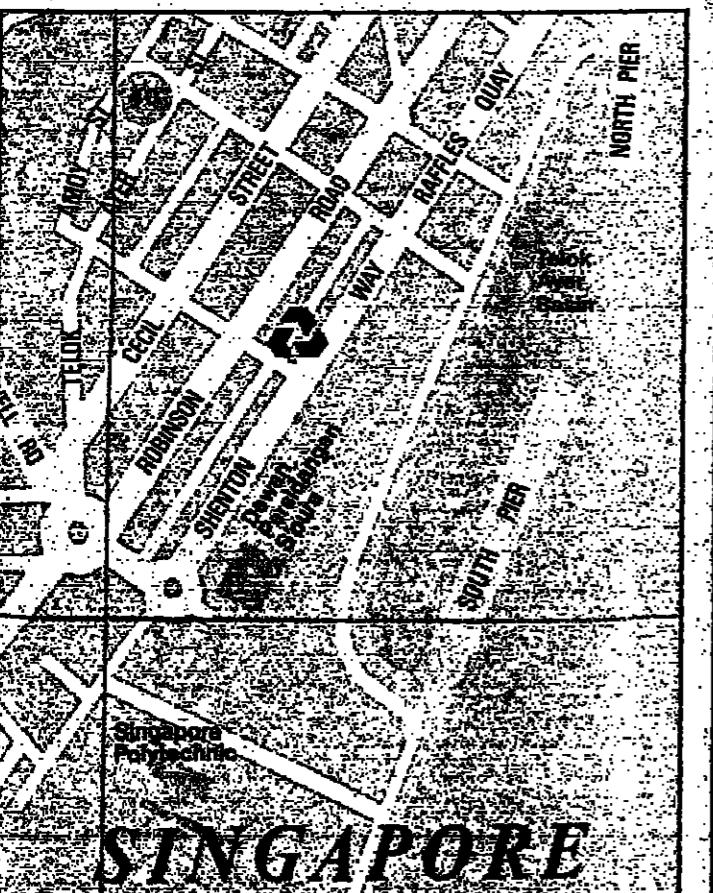
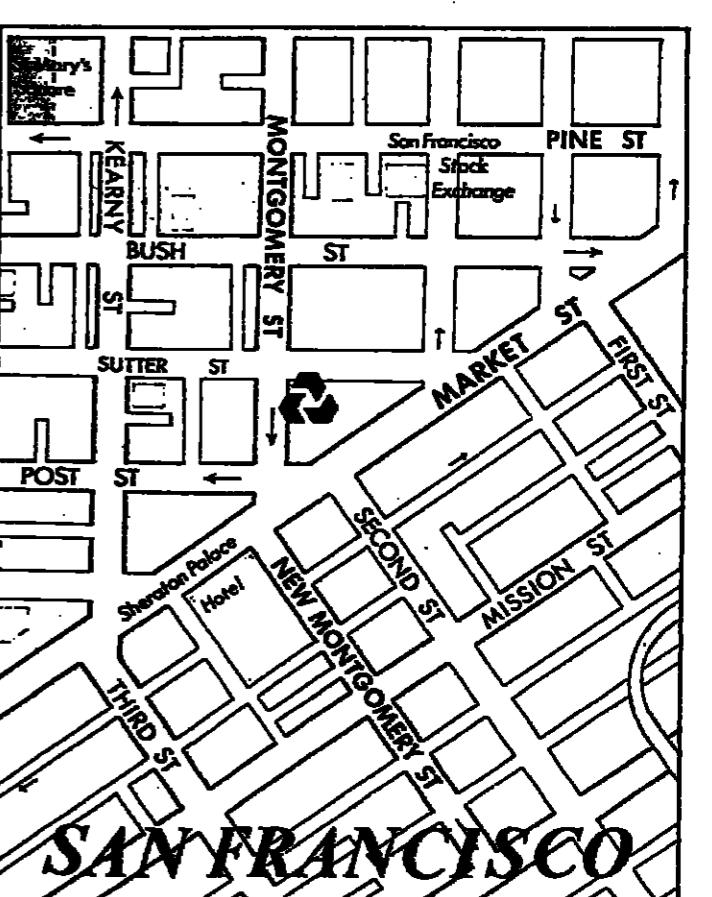
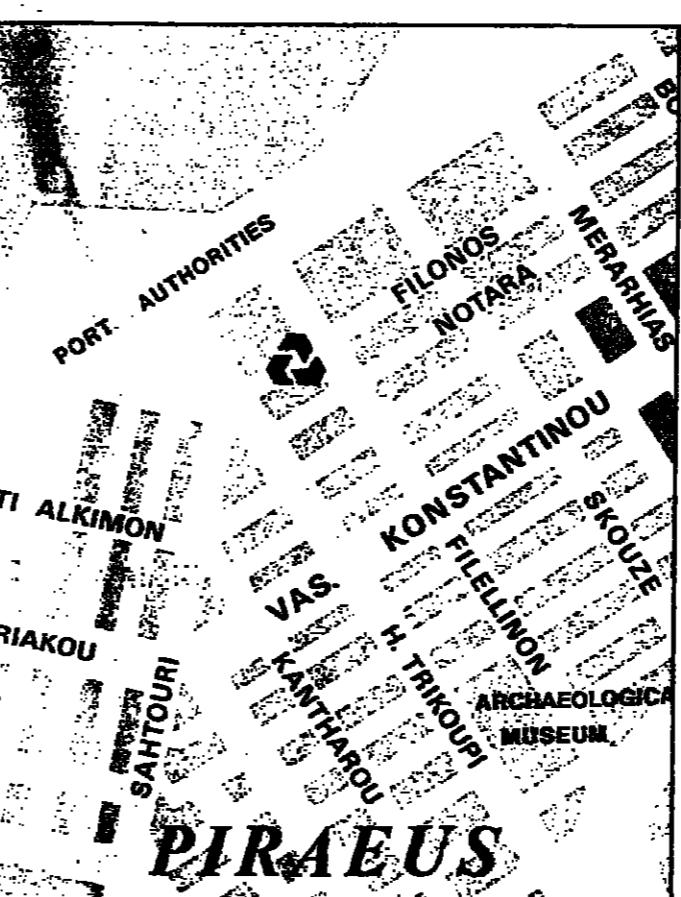
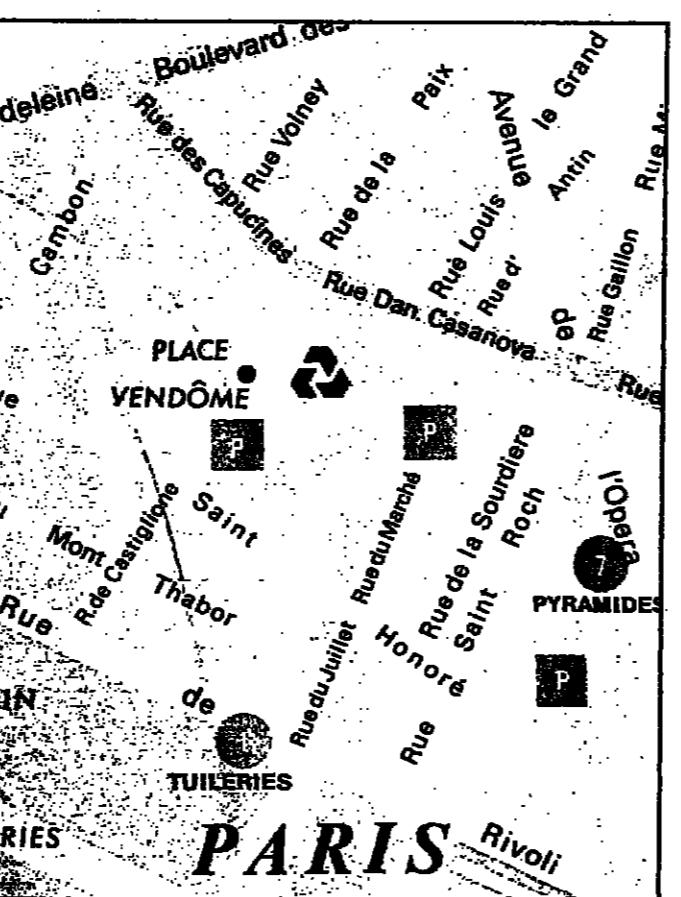
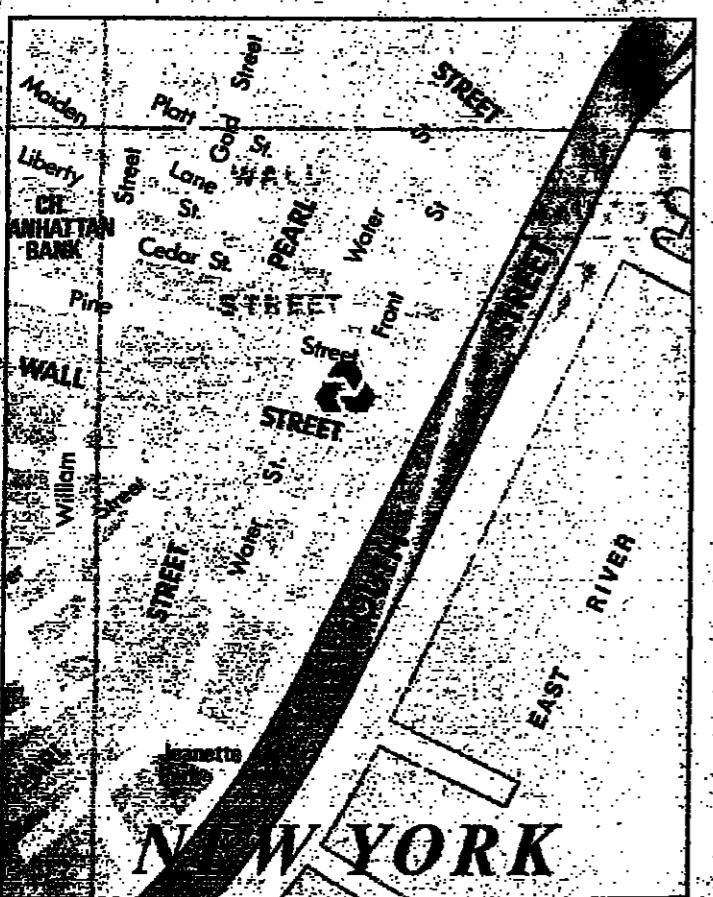
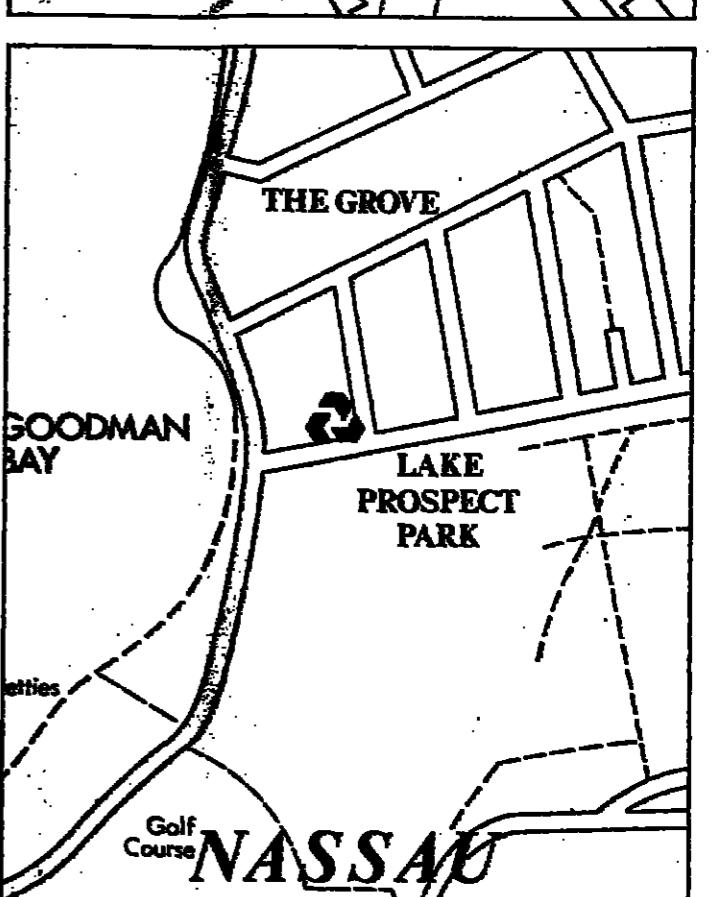
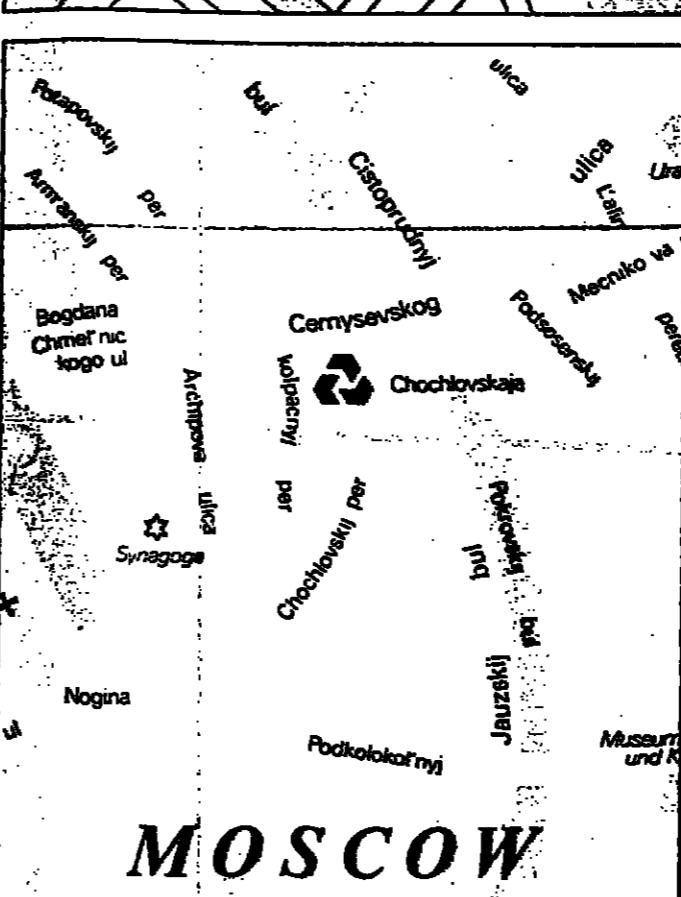
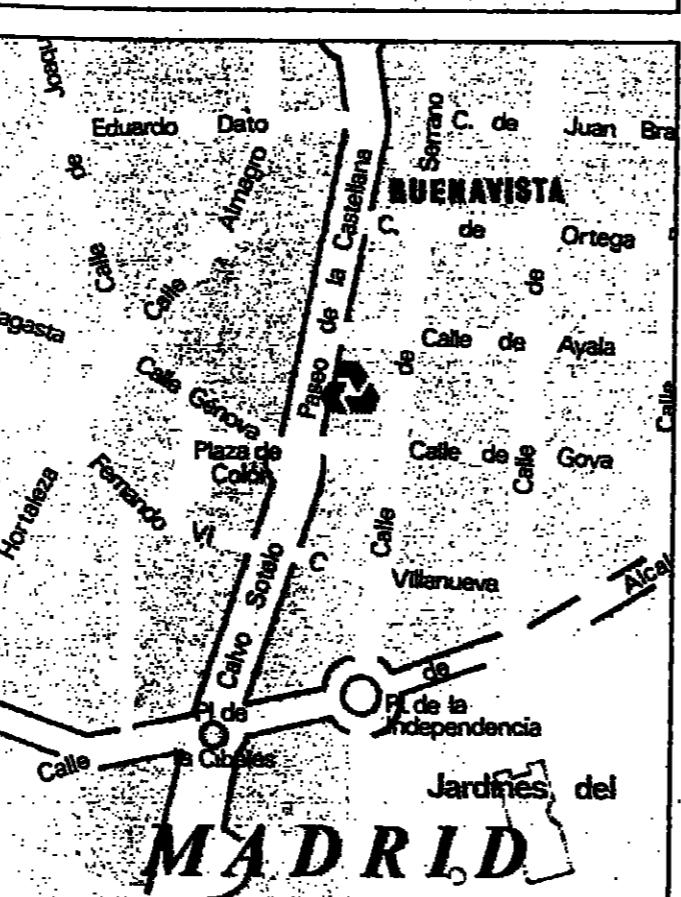
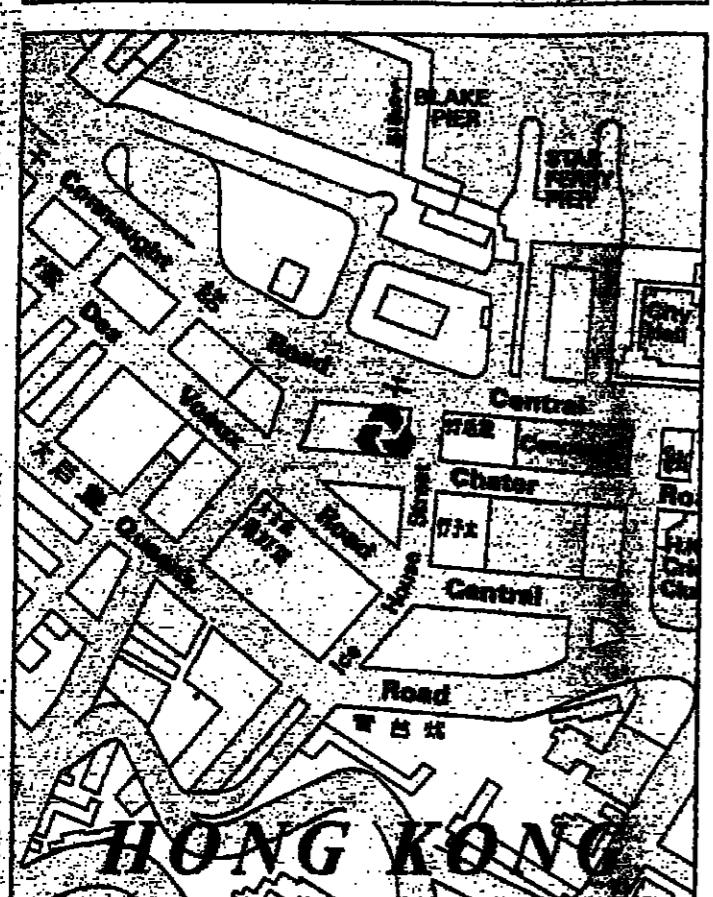
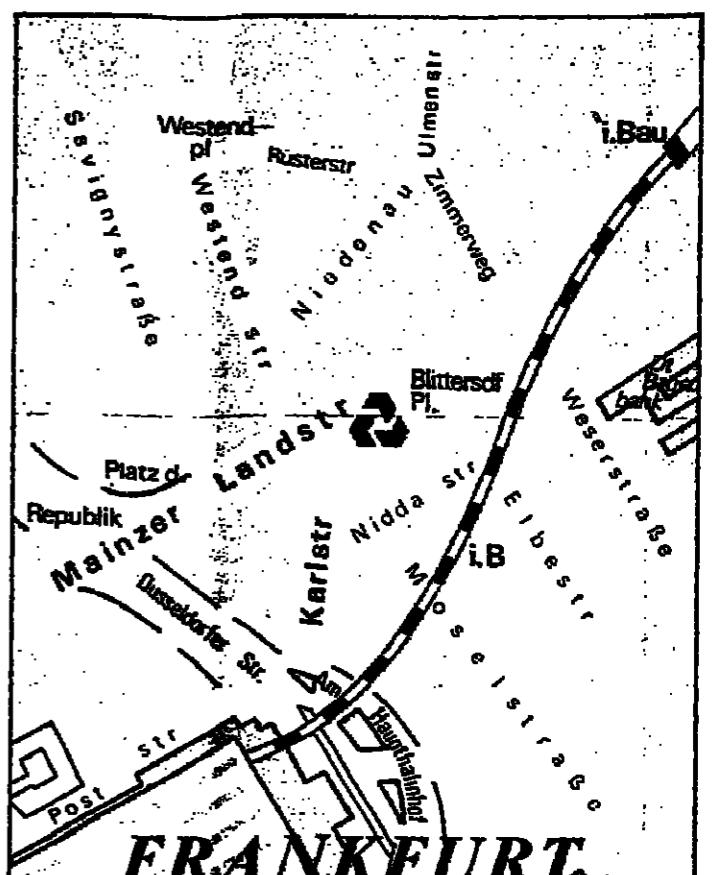
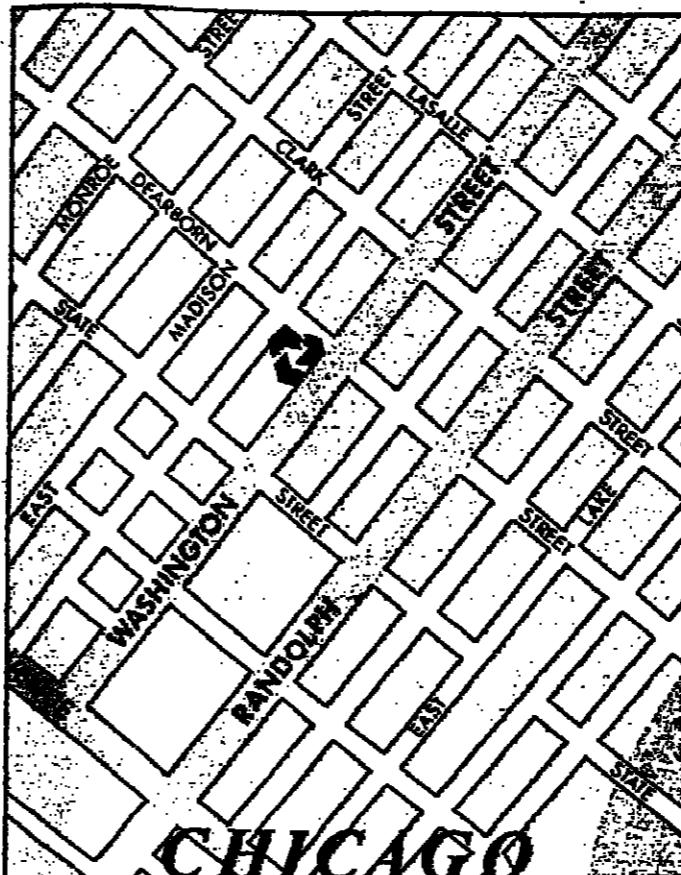
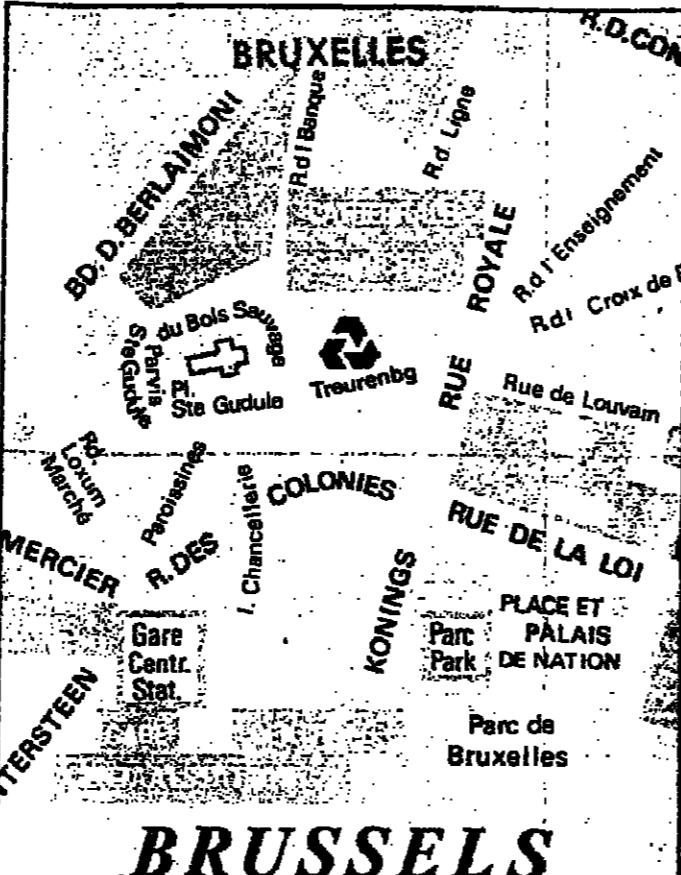
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NatWest International is right up your street.



International financing for major corporations. Assistance to UK exporters. Dealing in the world's currencies - buying, selling, lending, and deposit taking. Global movement of funds. Specialist services for international industries such as oil, gas, shipping, etc.

National Westminster Bank Group
You've got us just where you want us.

Locations correct as at 1st Jan. 1977.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

METALWORKING

Hard coating gives novel properties

SURFACING processes applicable to many engineering components, made of most of the metals and alloys now in use throughout industry, are available in Britain as a service, and for sublicensing if required.

Applied by electro-plating techniques but with an much higher deposition current than normally encountered, the coating appears under the microscope as the form of closely packed spheres, which tend to provide excellent low friction characteristics but have very high adhesion to the underlying surface, with which they form molecular bonds. Even under impact conditions such as in the cold-working of steel and in reciprocating machinery, there is no tendency to peel and any material removed from a treated surface under extreme test conditions will show, on one side, flakes of the underlying surface.

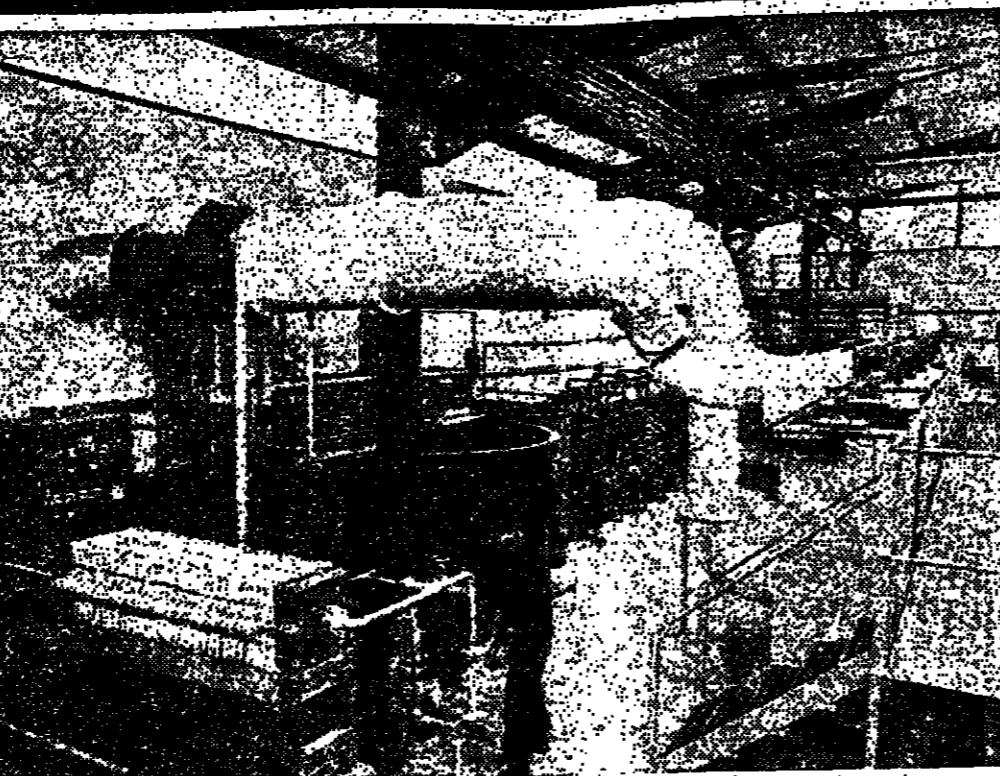
Composition of Drayloy has not been revealed, but it is a chrome-rich complex coating applied by a multi-stage process at temperatures below 60 degrees C, yet able to withstand very high temperatures in service as well as providing excellent corrosion resistance.

The coating is considerably harder than a hard chrome with a surface hardness of around 72 Rockwell C or 1100-1300HV.

A purpose-built factory has been set up near Sheffield by the company — which has the same name, Drayloy — and this has capacity to handle workpieces of up to 14 tonnes weight.

The company is prepared to carry out any plant trials which may be required prior to the application of its method and has

been specifically designed to fill a gap which has not been covered



A view of the sequence of coating tanks at the Drayloy plant in Dronfield, Sheffield

of the greatest use is still continuing.

But it can already be said that Drayloy gives a marked increase in performance on copper-cutting segmental saws and some other tools handling softer metals which could tend to tear and clog up cutting ways. It is also applicable in areas where low friction is an aid — such as lathe beds.

Applied to one face of certain types of blades used in cutting highly abrasive materials, it can prolong the life of the edge at least twofold and do the same again after re-sharpening, provided the uncoated edge is the one on which sharpening action is taken.

For most engineering requirements, the process is used to put a 5 to 15 micron coating on the material. It is suggested as the final operation on many engineering parts which can go straight into use. Its corrosion resistance is such that in some applications a 5 micron layer on mild steel is equivalent in performance to a solid stainless steel workplace.

Specifically, the process has been used to hard-coat rollers used in the production of high quality metal tape and has consistently provided a six-fold increase in performance,

measured in terms of working days' use before resurfacing.

Tests on high speed steel saws gave 400 cuts before regrounding and 1,400 cuts after coating.

The company is prepared to carry out any plant trials which may be required prior to the application of its method and has

been specifically designed to fill a gap which has not been covered

Heavy duty vertical turning

THE DEPARTMENT OF Industry has offered a grant of £166,700 to John Stark and Sons to facilitate production of prototypes of a new range of heavy duty vertical turning machines. The grant will also provide improved manufacturing facilities for the production of the machines.

Stark says the machines have been specifically designed to fill a gap which has not been covered

in the setting up of any testing scheme.

Drayloy operates from Cally Lane, Dronfield, Sheffield, S18 6NS. Dronfield 417777.

John Stark and Sons, Halifax, on 0422 532324. This company is a member of the Wickman Group.

By other U.K. machine tool manufacturers. The machine will also help to counter foreign competition by its suitability for a wide range of industries requiring heavy metal removal from rough forged or cast steel components — an area now largely dominated by imported equipment.

Typical applications will be the machining of forged or cast railway wheels, pipe flanges, gear forgings, etc., and in the aerospace industry for machining complex formed components in exotic materials.

Offered with the machine will be a range of automatic banding equipment which will enable both faces of a component to be machined without manual banding.

The machine can be offered in single units or linked with automatic handling equipment to form a full transfer line.

Positioning of the columns allows the cutting forces to act directly on the column slides, permitting full use of the 200 hp which can be developed by the table drive at low speed. The modular design enables single column versions to be built.

Four axis CNC with diagnostics is standard on the two column version, with two axis control on the single column. CNC can be used to control the handling system.

The maker says that design improvements incorporated in the machine are in advance of current techniques, and will give improved productivity compared with similar imported machine tools.

Details from John Stark and Sons, Halifax, on 0422 532324. This company is a member of the Wickman Group.

When the Army brought into service the new Artillery Meteorological System (AMETS), the resultant more frequent launching of meteorological balloons created the need for up to four times as much hydrogen as was used previously. The

Power absorption is only 2 kw per cubic metre.

Designed for use in any part of the world and at extremes of temperature the generator is extremely mobile and can be rapidly towed over rough country.

Johnson Matthey, 100 High Street, Southgate, London N14 8 ET. 01-832 6111.

PRESENT SEWING regu-

ments are for fine threads with high seam strength because the need for economic production and the use of lighter weight fabrics which are prone to wear damage or pucker. Greater a

consistency or performance expected shade to shade batch to batch to shade

Engineering Sewing says it is in

these requirements with introduction of three new industrial synthetic threads.

company has developed and launched a spun polyester e-

Star, improved the perform-

ance of Polystar and revised and

the Tryklo shade range.

The company says improved spinning and twisting has produced threads with more consistent physical properties and all the new threads a new

of lubrication has been introduced which is claimed to be needle heating and static.

More from the maker Oxford Street, Manchester 1HJ (061-228 1144).

RECENTLY put on the market are two miniature closed circuit television systems for surveillance from Pre/P and another for underwater speech from Westinghouse.

The Philips equipment, designated LDH 8334 and 8335, providing 400 and 600 lines respectively, is based upon a 2/3 inch tube, although other types are substituted. A wide choice of zoom and other lenses is supplied and the equipment operate over a temperature range of minus 30 to plus 50 C. The 8334 offers operation from 100 ft away and the 8335 from 200 ft.

A basic Cyber 176, with 13 times the performance of the model 171, has a total monthly ownership cost of approximately £150,000, also on a five-year lease.

First customer shipments of the Cyber 171 will begin in July, and initial shipments of the Cyber 176 are scheduled for the fourth quarter of 1977.

The new models allow users

to increase the performance of their installations by adding processing units and larger memories, but without the expense and frequent delays often incurred with major software programming changes. CDC

Aspirants — the Cyber 176, at the top of the line, and in the class of the world's largest commercially available equipment.

The two new computers employ the same software operating systems and distributed network processing architecture as the other four models in Control Data's Cyber 170 series.

A basic Cyber 176, with 13 times the performance of the model 171, has a total monthly ownership cost of approximately £150,000, also on a five-year lease.

First customer shipments of the Cyber 171 will begin in July, and initial shipments of the Cyber 176 are scheduled for the fourth quarter of 1977.

The new models allow users

to increase the performance of their installations by adding processing units and larger memories, but without the expense and frequent delays often incurred with major software programming changes. CDC

Aspirants — the Cyber 176, at the top of the line, and in the class of the world's largest commercially available equipment.

The two new computers employ the same software operating systems and distributed network processing architecture as the other four models in Control Data's Cyber 170 series.

A basic Cyber 176, with 13 times the performance of the model 171, has a total monthly ownership cost of approximately £150,000, also on a five-year lease.

First customer shipments of the Cyber 171 will begin in July, and initial shipments of the Cyber 176 are scheduled for the fourth quarter of 1977.

The new models allow users

to increase the performance of their installations by adding processing units and larger memories, but without the expense and frequent delays often incurred with major software programming changes. CDC

Aspirants — the Cyber 176, at the top of the line, and in the class of the world's largest commercially available equipment.

The two new computers employ the same software operating systems and distributed network processing architecture as the other four models in Control Data's Cyber 170 series.

A basic Cyber 176, with 13 times the performance of the model 171, has a total monthly ownership cost of approximately £150,000, also on a five-year lease.

First customer shipments of the Cyber 171 will begin in July, and initial shipments of the Cyber 176 are scheduled for the fourth quarter of 1977.

The new models allow users

to increase the performance of their installations by adding processing units and larger memories, but without the expense and frequent delays often incurred with major software programming changes. CDC

Aspirants — the Cyber 176, at the top of the line, and in the class of the world's largest commercially available equipment.

The two new computers employ the same software operating systems and distributed network processing architecture as the other four models in Control Data's Cyber 170 series.

A basic Cyber 176, with 13 times the performance of the model 171, has a total monthly ownership cost of approximately £150,000, also on a five-year lease.

First customer shipments of the Cyber 171 will begin in July, and initial shipments of the Cyber 176 are scheduled for the fourth quarter of 1977.

The new models allow users

to increase the performance of their installations by adding processing units and larger memories, but without the expense and frequent delays often incurred with major software programming changes. CDC

Aspirants — the Cyber 176, at the top of the line, and in the class of the world's largest commercially available equipment.

The two new computers employ the same software operating systems and distributed network processing architecture as the other four models in Control Data's Cyber 170 series.

A basic Cyber 176, with 13 times the performance of the model 171, has a total monthly ownership cost of approximately £150,000, also on a five-year lease.

First customer shipments of the Cyber 171 will begin in July, and initial shipments of the Cyber 176 are scheduled for the fourth quarter of 1977.

The new models allow users

to increase the performance of their installations by adding processing units and larger memories, but without the expense and frequent delays often incurred with major software programming changes. CDC

Aspirants — the Cyber 176, at the top of the line, and in the class of the world's largest commercially available equipment.

The two new computers employ the same software operating systems and distributed network processing architecture as the other four models in Control Data's Cyber 170 series.

A basic Cyber 176, with 13 times the performance of the model 171, has a total monthly ownership cost of approximately £150,000, also on a five-year lease.

First customer shipments of the Cyber 171 will begin in July, and initial shipments of the Cyber 176 are scheduled for the fourth quarter of 1977.

The new models allow users

to increase the performance of their installations by adding processing units and larger memories, but without the expense and frequent delays often incurred with major software programming changes. CDC

Aspirants — the Cyber 176, at the top of the line, and in the class of the world's largest commercially available equipment.

The two new computers employ the same software operating systems and distributed network processing architecture as the other four models in Control Data's Cyber 170 series.

A basic Cyber 176, with 13 times the performance of the model 171, has a total monthly ownership cost of approximately £150,000, also on a five-year lease.

First customer shipments of the Cyber 171 will begin in July, and initial shipments of the Cyber 176 are scheduled for the fourth quarter of 1977.

The new models allow users

to increase the performance of their installations by adding processing units and larger memories, but without the expense and frequent delays often incurred with major software programming changes. CDC

Aspirants — the Cyber 176, at the top of the line, and in the class of the world's largest commercially available equipment.

The two new computers employ the same software operating systems and distributed network processing architecture as the other four models in Control Data's Cyber 170 series.

A basic Cyber 176, with 13 times the performance of the model 171, has a total monthly ownership cost of approximately £150,000, also on a five-year lease.

First customer shipments of the Cyber 171 will begin in July, and initial shipments of the Cyber 176 are scheduled for the fourth quarter of 1977.

The new models allow users

to increase the performance of their installations by adding processing units and larger memories, but without the expense and frequent delays often incurred with major software programming changes. CDC

Aspirants — the Cyber 176, at the top of the line, and in the class of the world's largest commercially available equipment.

The two new computers employ the same software operating systems and distributed network processing architecture as the other four models in Control Data's Cyber 170 series.

A basic Cyber 176, with 13 times the performance of the model 171, has a total monthly ownership cost of approximately £150,000, also on a five-year lease.

First customer shipments of the Cyber 171 will begin in July, and initial shipments of the Cyber 176 are scheduled for the fourth quarter of 1977.

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The Management Page

The attraction to the National Enterprise Board of Reed and Smith may be that its problems are confined to just one part of the group. Nicholas Leslie reports

Turnround of a paper-maker

TWO OPTIONS, crucial to the disastrous project abandoned future viability of his company, several years ago, the company faced Mr. David Harrison last already has the major part of year. He could either close down the machinery for the new mill a loss-making paper mill which lying around on the site. represented almost half the money is made up of assets of his group, Reed and Smith, or he could invest well £250,000 through the issue to over £1m in plant which, if the NEEB of Ordinary shares, things went well would put the company back on an even keel.

David Harrison's inclination was to invest. But the group had a poor profits record, its immediate prospects were not particularly good, and group debt had already soared to £250,000, compared with an issued share capital of just £100,000.

He approached some City institutions for cash and had he pursued the matter he might well have raised some form of finance. That he did not do so appears to be due partly to a feeling that unacceptable pre-

conditions might have been attached to any City finance. What settled the matter was the reaction of the National Enterprise Board when he telephoned to inquire about raising a loan. He found—somewhat to his surprise although he hesitates to admit it—that after just over two months of negotiations he had the cash he wanted.

In the process, Reed and Smith became the first arm's length investment of the NEEB in a publicly quoted company. It has become an associate, rather than a subsidiary of the NEEB, but it is clear that the NEEB could exert considerable influence if it so wished.

Manpower

As yet, however, the NEEB has not even exercised an option to appoint a director to the boardroom of Reed and Smith. Whether this is because it feels such a step is unnecessary, or because it has not the power to spare, is unclear.

The fact is that large numbers of small companies like Reed and Smith beat a path to the NEEB door where they are assessed not by reference to the more grandiose of ideals, nor particularly by what industry they are in, but merely as situations in need of development capital. Those given assistance need not be a key part of any strategic industrial sector nor big enough to form an important part of an investment portfolio, although they may be of influence in certain parts of a market.

In 1974, the group's overall financial fortunes took a turn for the better with a general upturn in the papermaking industry and pre-tax profits of £1.3m. were earned. This, according to Mr. Harrison, should have been higher, but price restraint meant that increases could not be put into effect and, furthermore, all was Cullompton, which makes

manufacturers. By remaining not well at Wansbrough, in rather specialised situations mill lost money, despite the outside the mainstream of the buoyant conditions, and the paper industry it avoided the quality of paper was not being worst of the truths which maintained.

By the same token, several problems existed: not though, it also seemed least was an inadequate management structure. This was tackled at an early stage and in credit must be given to its management for keeping the company in the right areas for so long, an unfortunate expansion the business has changed completely and the onset of inflation in the past two years.

Three of the four Wansbrough machines used for glazing paper to provide a sheen, as on paper bags, were, in Mr. Harrison's estimation, inefficient to the point of running at one-third the speed of those of the company's most successful competitor.

The fourth, and biggest, machine was making 25,000 tons of paper a year in 32 different grades, a situation which was felt to be not only inefficient, but made quality control extremely difficult. The number of grades was therefore reduced to three, even though this meant that the amount of glazing produced increased by 16,000 tons a year—right in the middle of a recession. But by adopting a much more aggressive marketing policy, this extra amount was sold. At the same time, 180 of the 480 workforce were made redundant.

Another problem was that the effluent plant could not cope with the volume of waste water and a great deal of fibre was being washed down the drain, costing the company a lot of money. To alleviate the situation, arrangements were made to reduce the amount of water taken from a stream adjacent to the site from 130,000 gallons an hour to 50,000 gallons.

Mr. Harrison also found that there was no formal system of monitoring the progress of each company, nor any central financial control. This was rectified by installing formal management accounting systems and by making each of the group companies a separate profit centre answerable to a holding company which acts as co-ordinator and banker for the group. Monthly accounts are now produced and profit forecasts are updated every quarter.

A five-year plan is also now being prepared.

Apart from Wansbrough, the group appears to have been relatively free from problems. New management was appointed at the Silverton mill which makes paper for books and the speed and efficiency of machines there increased, with a consequent improvement in quality.

Over recent years Reed and Smith had traditionally been one of the most stable of paper

manufacturers. The cheaper paper for race cards and bingo tickets and similar items was operating reasonably well, while the jewel of the paper business, the Taplow mill in Berkshire, was consistently producing good quality fluting and lining on modern machinery and had a good sales organisation.

On the advertising side, profitability was being maintained even during the difficult years of 1974 and 1975 and it seems quite possible that its financial contribution saved the group from going under.

Thus, Reed and Smith's weakness was centred on one part of the group—albeit a division which represented nearly one-half of group assets. This meant the problem could theoretically be monitored more easily than if the weaknesses had been widespread. Such a situation may well have appeared attractive to the NEEB given that its administrative structure probably precludes a monitoring capability which would match, for example, the larger merchant banks.

Replacement

The paper-making machine which will now replace the three small ones is scheduled to come on stream in August.

Although it has been lying

around for six years unused,

it is still a modern machine,

according to Mr. Harrison, and

will do all the work and more

of those it replaces.

The cash raised from the NEEB has been used towards buying ancillary parts of the machine, while installation costs are being helped by a £250,000 grant from the Department of Industry.

The company needs to get it right at Wansbrough, and quickly, since it still faces difficulties. For example, in July, the cost of gas for powering its mills will go up sharply over a 12-month period from £500,000 to £1.2m. a year.

However, if Reed and Smith

does the recovery which

Mr. Harrison is obviously hoping

for within the next few years

it should be reflected in the

company's share price.

Given that the NEEB bought into Reed

and Smith at 33p a share—below

the 50p par value of the shares,

with the balance of 17p a share

being capitalised from Reed and

Smith's reserves—there is

reason to believe that it might

eventually be tempted to sell

the shares to the private sector

to realise a profit for investing

elsewhere.

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Over recent years Reed and

Smith had traditionally been one

of the most stable of paper

manufacturers. The vital field of manufacturing ton account in the exposure British companies appear to be industry and presumably in draft remains to be seen. Apart from the banks, the their management decisions, that the companies in which accountancy bodies and the Government, the most influential according to a survey conducted by the Institute of Cost and account of inflation in their submissions to watch for over the next few weeks will include those from the CBI, the Midland Finance Directors Group, the Hundred Group, the Auditing Practices Committee, and the London District Society of Chartered Accountants which is hoping to produce a more acceptable proposal than the Morpeth document.

The other "major" submission which the Morpeth group has so far received comes from the Committee of London Clearing Bankers. Apart from reiterating the banks' familiar case for special treatment, to allow them to have a cost of money assets, it takes up a strong position on the overall

However, the ICMA does not quite see it like that. In its submission to the Morpeth Inflation Accounting Steering Group it says that something ought to be done soon to remove the distortions of inflation from both management and published accounts.

Instead of recording effects of inflation on company results, priority should be given to tackling inflation itself. says one of the accountancy bodies

YET in taking this attitude it is questionable whether the institute is living up to its hard-earned position as one of the leading British accountancy bodies. It is generally thought that companies cannot—and at present do not—make the best management and investment decisions because of the distortions caused by inflation.

In addition there is little dispute that the usefulness of published historic accounts to investors, creditors and employees alike is considerably restricted because of changing prices.

However, if Reed and Smith does the recovery which Mr. Harrison is obviously hoping for within the next few years it should be reflected in the company's share price. Given that the NEEB bought into Reed and Smith at 33p a share—below the 50p par value of the shares, with the balance of 17p a share being capitalised from Reed and Smith's reserves—there is reason to believe that it might eventually be tempted to sell the shares to the private sector to realise a profit for investing elsewhere.

This is why Britain needs to have an accounting standard on CCA and why it must aim at more than just a few rough

adjustments to the profit and loss account of what the ICMA cynically refers to as "past results".

It is easy to say that accountants should concentrate more on improving the efficiency of British industry and less on inflation accounting but it becomes a joke to say it when over 50 per cent of your members—71 per cent of them in



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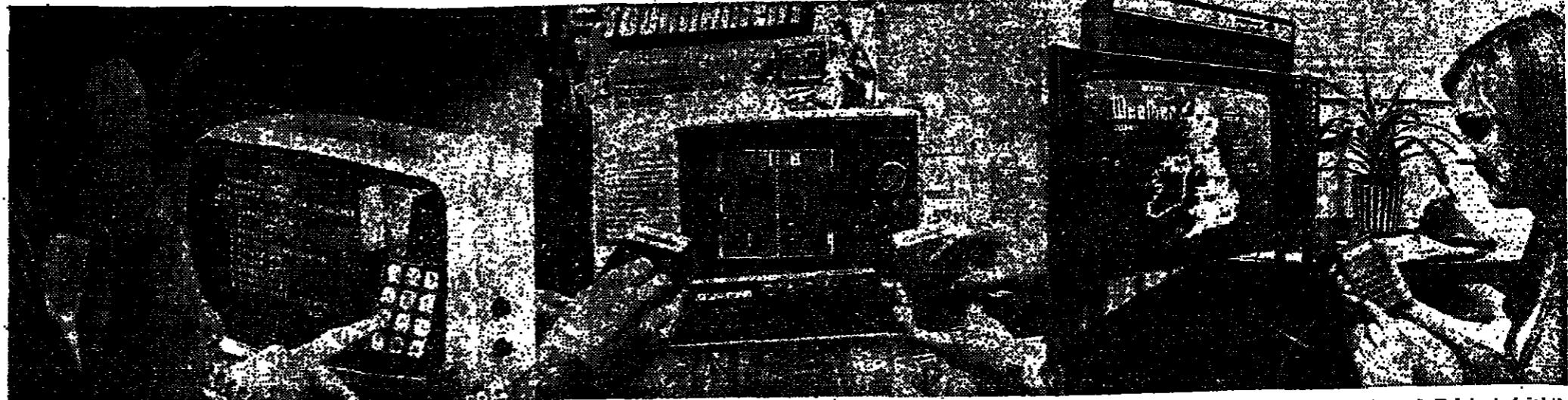
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WEDNESDAY, APRIL 13, 1977



Viewdata (left), the information service developed by the Post Office; Interton 3,000 Tournament (centre), the TV sports game for use on any BBC2 receiver; and Teletext (right) adapter developed by Pyc.

Carterian logic

"THERE is no dilemma to-day more difficult to resolve," President Carter said in his state of the union speech last week, "than that connected with nuclear power." The question, he went on, that he had had under review since his first day in office was how to reduce the risks that components of the nuclear power process will be turned to providing atomic weapons, while at the same time ensuring that the "tangible benefits of nuclear power" are not forgone. That is indeed the question and, like all the President's questions, it is well put. It is less certain that he has produced the right answer.

Energy gap

In one way the logic is impeccable. President Carter has already produced proposals for swinging cuts in the level and future development of strategic armaments. Even if these are not ultimately accepted by the Soviet Union, they should at least do something to exempt the U.S. from the charge that it feels free to indulge in a strategic build-up while demanding higher standards from lesser powers.

It is also likely that what Mr. Carter has had to say on the uses and abuses of nuclear power will be all of a piece with the new U.S. energy policy, the details of which are due to be announced on April 20. The nuclear part of it has now been effectively made public by the President himself. The U.S. is to defer indefinitely the commercial reprocessing and recycling of the plutonium produced by its own nuclear plants and the commercial introduction of the fast breeder.

For the U.S. it fits. As the President said: "From our own experience we have concluded that a viable and economic nuclear power programme can be sustained without reprocessing and recycling." The U.S. is also relatively well endowed with oil, and exceptionally well endowed with coal and uranium. Two questions arise, however. The first is: Is what may be right, economic and viable for the U.S. necessarily the same for other countries? And the second is: Even if it is, is President Carter's the best way of going about it?

Suppliers

The oddest factor of all, however, is the way that the President appears to have overlooked the progress that was already being made towards checking proliferation by the advanced industrial powers. The nuclear suppliers' club, which includes the Soviet Union and France, has been meeting on this subject for two years now, and not without success. The correct approach is to intensify these international discussions and bring in the customers as well as the suppliers. President Carter, however well-intentioned, has jumped the gun by acting unilaterally. He should not be surprised if, however unjustly, the U.S. is also suspected of furthering commercial aims.

The price could be too high

THE Government approaches the start of its formal further talks with the TUC on the next few days with a sense of some allowance for productivity increases and repeatedly stressed determination to reach agreement. There is no dispute that trying to squeeze into a reduction in the rate of increase in earnings—now running at an annual rate of 11 per cent—is important to any chance of any sustained recovery in output and employment—and a third phase could play its part in moving towards this goal. However, there are doubts not only over the success or failure of the talks but also about whether any eventual end product will be worth having.

This is not a question of whether the Government should have a view on the level of incomes. It cannot be passive, if only because of its position as a major employer. Indeed with the cash limit controls over public spending, an incomes policy is built into the day-to-day system of expenditure planning. And this is reinforced at present by the ceilings for both the borrowing requirement and money supply laid down by the International Monetary Fund. So the Government will have to take a view on pay from next July onwards, whatever is produced by the talks with the TUC.

Universally critical

The omens for these talks are hardly encouraging. The indications of shopfloor attitudes shown by recent disputes and in branch resolutions to union conferences are almost universally critical. From the Government side, the preliminary stance indicated by recent hints of official thinking is not wholly reassuring either. The idea of kitty bargaining would serve the purpose of introducing a definable figure at the start and afford the possibility of restoring part of the negotiating function back to the local level. There are obvious dangers, however, of increasing inter-union

A MUCH needed boost to transistors can be printed quite cheaply on a slice of silicon smaller than a postage stamp, the almost anything is possible, expected announcement by the Future developments have therefore become much less the slave to engineering advance than the consequence of commercial and marketing judgement.

The ability to sell television sets may soon depend, as with motor cars, on the provision of a large range of optional and standard extras supplementing their basic function. This is already happening in Germany, where remote control, automatic tuning, integral clocks and television games have assumed much more importance in the market than in Britain.

Teletext is the one feature which, potentially, could be more advanced in the U.K. But that may not in itself be sufficient reason for manufacturers to risk the considerable cost of promotion and mass production which will be needed to bring unit costs down to the ordinary consumer's reach. They also have to ask: "Will people actually want to read pages of printed text on their television screens?" At present they can choose between 100 pages on each channel. This could be increased to several hundred pages per channel or even to 20,000 pages if a new wave which were devoted exclusively to teletext.

The importance of teletext, as German, Japanese and other set-makers are beginning to realise, would increase rather than reduce the chances of proliferation as other countries sought not only their own access to enriched uranium, but also their own reprocessing facilities.

The risks—and the opportunities of the new commercial territories which have been opened up by the technology of integrated circuits are well appreciated by manufacturers. In an age when a thousand

in electronics for consumers' principle by a combination of integrated circuitry could bring to £500. But from the market's point of view, audio and b teletext, a simple keyboard and costs down quickly enough to produce a snowballing demand has one great advantage of the post office's viedowdata computer to reach 85 per cent of all sets television. Its range of qual is almost indefinitely extensi

made in 1985.

The BBC has been

characteristically open and

generous about its teletext de

velopment. It actively en

couraged overseas visitors from

74 countries to inspect its work

ing so any foreign broadcast

authority could set up a service

very rapidly.

This policy of openness, was

combined with great caution by

the Board of Governors in

actually committing themselves

to the system's future. While

transmissions were only "ex-

perimental" in the two years

up to November 1976, manufac-

turers were obviously reluctant

to spend large sums on develop-

ment or promotion. Even then,

the Government only granted an

extension to the service subject

to careful provisos. It said the

service could only be guaran-

teed up to July 1978, when the

BBC's Charter expires, and sub-

ject to any decisions following

Lord Annan's report. In the

event, the report said that tele-

text had a future.

Another opportunity for

using electronics to occupy

people's idle hours is the grow-

ing fad for television games.

The basic circuitry needed for

colour games can now be en-

coded on a single wafer of

silicon, so that it can easily be

included in an ordinary set as

an extra. Grundig is already

making sets in volume which

can be used for playing elec-

tronic tennis or squash or even

for electronic target practice.

Such sets are already being pro-

duced in volume by foreign

manufacturers, and will soon be

available in U.K.-made brands.

A TV games integrated circuit

designed by the British com-

pany, Sportel, is now being

manufactured in the U.S. at the

rate of 30,000 a month, shortly

to be increased to 100,000 a month.

The extra cost of a set with a built-in ability to play

games will soon be about £22,

but the price is likely to fall as

volume increases.

There are several other pos-

sible "extras" whose circuitry

would be desperately trying to

tempt a mass audience. The

Viewdata service, which con-

nnects your set to a computer via

the ordinary telephone line is

in any case still at a very ex-

pensive stage. Some of those

privileged to receive the pilot

services say they are compul-

sive viewing. Others, more

sceptical, say they will only be

intermittently useful when the

novelty fades. This system could

in principle provide unlimited

information to consumers rang-

ing from rail timetables, finan-

cial news, educational courses

of welfare information.

In an age when a thousand

and teaching. Which is why,

Camden added, the principal

Paris orchestra needs a State

subsidy of as much as £1.25m. a

year.

The rewards of being a direc-

tor of a London orchestra seem

few. It cuts into the time avail-

able for non-LSO work, and

despite the settling of the last

internal politics: "The basic

thing," said Camden, "is trying

to get continuity within the

orchestra without upsetting the

apple cart."

And, once the instruments are

put away, what about those

stories of night carousing

while on tour? Camden rose

nicely to the question. All the

main London orchestras were

notorious for something, he

said, mentioning drink, cards

and womanising. But he

declined to pair each orchestra

with its reputed vice, adding

tantalisingly that he thought

the reports about the LSO had

got its weakness wrong.

Such questions re-

manufacturers is therefore

less than predicting the leis

ure patterns of the pe

will video-cassette recor

for example, ever be reg

as a "necessity" or mere

an expensive toy?

Such questions re-

manufacturers to predict the de

mand for portable black and

white televisions, and their

slowness to match the range and

quality of Japanese audio sys

FINANCIAL TIMES SURVEY

Wednesday April 13 1977

ITALY

Italy is overcoming some of its economic problems through short-term measures—but politics is still at the root of the country's problems. The prospect of a stable government may now depend on a grand coalition which would include both Communists and Christian Democrats.

The battle for control

By Dominick J. Coyle

BY MOST conventional standards, Italy is now ungovernable.

It is not just the recent and serious rioting in the streets of Rome, Milan, Bologna and half a dozen other cities; student there is no reason to believe demonstrations over some that anything sensible would emerge simply by a reversal of clearly infiltrated and exploited by political extremists: nor the gradual breakdown of law and order, including the continuing wave of kidnappings which just before Easter was extended directly into the political domain when the son of the veteran socialist leader, Signor Francesco de Martino was grabbed by terrorists. More fundamentally, it is that no conceivable party political mix now appears to exist which can command a majority in parliament while at the same time receiving anything approaching a duplication of Chilean experience, but a cold and assuming no radical shift calculation that a real measure in electoral allegiances, is the dark.

At the outset of any review of national consensus can only Left alternative, a Communist of Italy one is therefore compelled to face up to the all-important question. The Communist Party (PCI) with some 31 per cent of the national vote in the last general election, in now, as it claims publicly, in a position in which the country cannot be governed effectively without the Communists. A minority they still are, but too large and too potent a force in Italian life to-day to be excluded totally from the governing process. But the Christian Democrats (CD), who have ruled Italy either alone or in coalition for the past three decades, are now also a minority, and in terms of the popular vote they are only 4 per cent ahead of the Communists.

Yet consensus is not possible if the communists are always to remain in opposition, but a dozen other parties, student there is no reason to believe that anything sensible would emerge simply by a reversal of clearly infiltrated and exploited by political extremists: nor the gradual breakdown of law and order, including the continuing wave of kidnappings which just before Easter was extended directly into the political domain when the son of the veteran socialist leader, Signor Francesco de Martino was grabbed by terrorists. More fundamentally, it is that no conceivable party political mix now appears to exist which can command a majority in parliament while at the same time receiving anything approaching a duplication of Chilean experience, but a cold and assuming no radical shift calculation that a real measure in electoral allegiances, is the dark.

On the contrary, the coming together of the country's two major political forces, in effect the PCI's objective of securing its cherished Compromesso Storico, or grand alliance in Government of all Italy's democratic forces. Nowdays, given the polarisation evident in the general election last June, this in essence does mean the CD and the PCI, perhaps with the Socialists (less than 10 per cent of the vote) thrown in.

The question, and it is the key one in Italian politics today, is whether the Christian Democrats will ever agree to such a grand coalition.

If the answer is "yes," then indeed there are some hopes that Italy can find political stability, effective government and a bright economic future in the long term. There are, of course, immense implications, too, many of them international in the sense that they touch on the whole basis of the western alliance, even of an Italy still in Nato, but with Communists in the Government with access to all—or some, at least—of its secrets.

If the answer is "no," and that on balance is more probable, since Christian Democrats seem to share a determination to go into parliamentary opposition rather than concede fully the Compromesso Storico, then the country's future does indeed look bleak and potentially very dangerous. For the sole long-term fear is that of a possible civil war.

This may sound over-dramatic, but not, one suspects, to the Communist Party's leadership. It is not just fears of a possible civil war. For the sole long-term fear is that of a possible civil war.

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This process would certainly bring out the fascist elements, which even now are none too latent in Italian life—the neo-fascist MSI captured almost 24m. votes last June—and the mood it would produce could be expected at least to reflect MSI tendencies in the Centre-Right faction of a Christian Democratic Party in opposition. Such a cauldron would surely spill over on the streets, inevitably pushing a Left-wing government coalition into the kind of authoritarian response in the name of law and order which many anti-Communists already fear would be the instinctive reaction of the PCI in government in any event. It could only be a recipe for disaster, as top Italian Communists themselves fully appreciate.

But is there, in fact, no other alternative? Signor Giulio Andreotti, the present Christian Democratic Prime Minister, thinks there is, albeit hardly a long-term one. Not only does he think there is, but right now his uncertain Government is a living example of it. It has no working majority in Parliament but has survived over the past eight months through the tacit support of both the Communists and the Socialists. Officially, the two main opposition parties have adopted a policy of abstention, but in fact it is a lot more than that and certainly not a such a change was not spelled out. The PCL in particular, insists that there would have to be a change, although the precise nature of the question of abstention in the out. The PCL in particular, says it is not pressing ensures that political tension must operate.

The miracle, in a sense, is that the country does manage somehow to keep going. Its institutions to function (although with an Italian concept of efficiency) and its people to preserve not only their sanity but also their capacity to enjoy life, to live and eat well. They have, after all, an essential flexibility, and perhaps this is nowhere more evident than in the capacity of much of industry, principally what can be described as the secondary sector, where small private entrepreneurs predominate, to adapt quickly to changing commercial demands and altered economic circumstances. And it is this secondary sector which, in the main, continues to trade well and profitably, and to provide the backbone of the country's exports. This sector has none of the notoriety, or fear that this would merely accelerate their own demise, and the last elections showed that the voters are increasingly seeing the issue as between the Christian Democrats and the Communists.

Inevitably, the almost daily staggering debts of State liaisons with the Communists, and in a sense Monedison too, and a functions, but it is a different

BASIC STATISTICS	
Area	116,314 sq. miles
Population (mid-1975)	55.81m.
GNP (1975)	\$171.5bn.
Per capita	\$3,070

TRADE (1976)	
Imports	L36.3bn.
Exports	L30.9bn.
Imports from U.K.	£826.4m.
Exports to U.K.	£1,106.2m.
Currency: Lira	£1 = L1,526

good thing it is for Italy. Out in the regions, and especially in Lombardy and Piedmont, the small to medium-sized industries are demonstrably less concerned with national political problems than with commercial profitability. To them trade unions are there at the factory-floor level to be negotiated with, often over a pasta and a glass of wine, but free from the concept of global solutions to Italy's problems which seem to preoccupy the union and employee confederations in faraway Rome. The regions, too, are often god examples of Communists, Socialists and Christian Democrats reaching something of a working arrangement in local government, not altogether different from what Signor Andreotti is trying in Rome. Yet even there the central problem facing Italy is recognised: Inevitably, the almost daily staggering debts of State liaisons with the Communists, and in a sense Monedison too, and a functions, but it is a different

CONTINUED ON PAGE III

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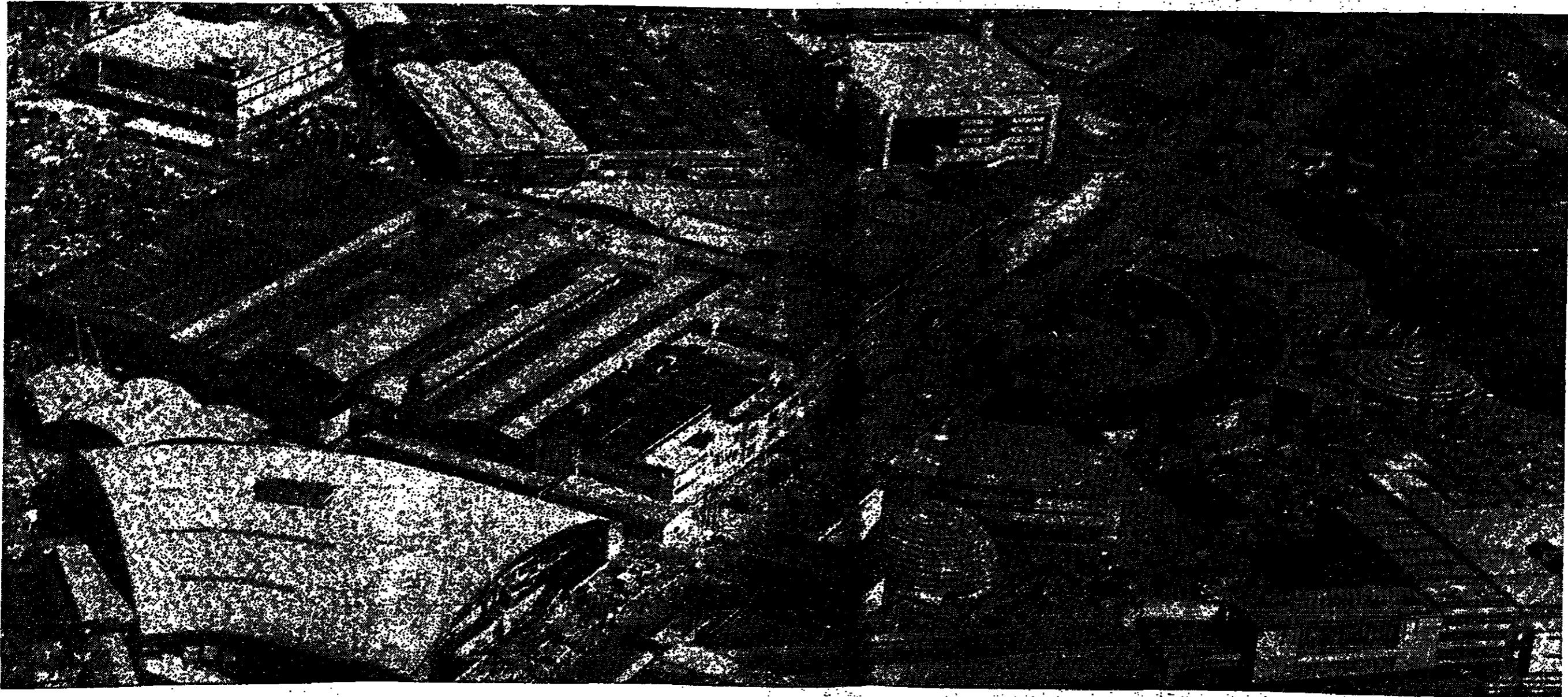
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مكنا من الأصل

ITALY IV

Trade deficit continues to rise

THE CONTINUING increase in industrialists wanting to penetrate new overseas markets of the Lebanon. Italy's overall trade deficit has prompted the Italian Government to step up its drive to promote Italian goods and services in the new markets of the Middle East oil producing countries as well as in other developing states and in the markets of Eastern Europe, where Italy has built up a presence since the last war.

Italy's overall trade deficit last year increased from £2,333m. In 1975 to £5,402m., and in the first month of this year the deficit increased to £1,180m. as against £1,196m. for the same month in 1975. Although the total value of exports increased by 35.2 per cent last year compared with the year before to £30,964m., imports last year rose by 44.1 per cent to £36,306m. At the same time, while import prices went up by 25.1 per cent last year compared with the year before, export prices only rose by 20.4 per cent.

With oil and agricultural imports accounting predominantly for the worsening of Italy's balance of trade, the Government has now launched a number of initiatives to attempt to reduce the heavy distortion created by the country's rising oil bill, which last year amounted to about U.S.\$10bn.

Recently, the Italian Foreign Trade Minister, Signor Rizaldo Ossola, visited a number of oil producing countries in an effort to set up a strong Italian presence in these states and to encourage them to enter into barter deals whereby Italy would sell goods, services, know-how and technology in exchange for oil.

Signor Ossola's initiative, which has been followed up by visits to oil-producing countries by other Italian ministers, is a radical departure from traditional foreign policy. Only a few months ago, an Italian Left-wing member of parliament remarked that Italy's policy in the Middle East was in effect "non-existent" and that as late as 1975, Italy had only two official representatives for an area that included Kuwait and the Gulf Emirates.

This lack of Government support has been the source of considerable criticism in the Italian press, particularly in the past on the part of Italian

Tunisia and the reconstruction turing plant, and which last year renewed its technical co-operation agreement with Russia for five years—requires credit to expand its technology and its markets.

Deal

Signor Agnelli has said he hoped that the deal between his group and the Libyan Government would be the beginning of similar ventures which would strengthen the ties between the industrial and the developing world. Europe, according to Signor Agnelli, must respond to the "Arab challenge," while the Arab world should use its financial surpluses to cure both the old and new imbalances in the world economic order. By directing their capital to biggest private enterprise, which sealed at the end of last year perhaps the most celebrated deal with an oil producing country to date, the £252m. deal between Fiat and the Libyan Arab Foreign Bank, acting on behalf of the Tripoli regime, whereby the Libyan Government acquired an initial 9 per cent stake in the Italian group, represents a breakthrough in the context of recycling petrodollars. By entering into Fiat, major enterprises like Fiat or the Italian State hydrocarbon concern, Ente Nazionale Idrocarburi (ENI), have traditionally been key factors in building up Italy's presence in the Middle East. For years, ENI has been calling for producer-consumer agreements whereby consumer countries would get oil in exchange for goods and services to help develop the oil countries. As early as 1955, Signor Enrico Mattei, the founder of ENI, led the way in this type of co-operation when he offered Egypt co-ownership in the Abu Rudis oil fields in the Sinai Desert. In 1957, he negotiated a similar agreement with Iran, granting the National Iranian Oil Company (NIOC) a joint 50 per cent

Although still subject to approval by the two governments, ENI has now reached an agreement with NIOC to establish a joint refining and distribution company for Europe and Africa. Both politically and commercially, ENI is expected to regard the deal as a major breakthrough, which will guarantee itself the necessary funds for its long-term investment programme and an opening in the markets of the Maghreb.

The Fiat-Libya deal could have even wider repercussions. The sudden trip to Moscow last year of the Fiat chairman, Signor Giovanni Agnelli, to meet Colonel Muamar Khedaf of Libya and Soviet officials has been widely regarded as an attempt to build a triangular trade system between the Soviet Union, Italy and Libya. The operation would work in the following way: the Russians currently face serious financial difficulties; Libya, with its vast resources wants to insert itself in the industrialised world; and Fiat—which is involved in the Soviet Union with the Togliattiad Moto manufac-

ture by taking a 50 per cent stake opened up the fast expanding and investment of the various markets of the Middle East concerns. The holding company Brazilian plant at Belo Horizonte, which has a production capacity of 200,000 cars a year. The 127 cars on the model of the Fiat and an additional 150 engines a year. The 127 cars destined for the Brazilian market, while engines are principally for port. Fiat simultaneously, imports on some of its models engines built in Poland with Fiat licences in Yugoslavia.

There are a number of variations of this so-called "internationalisation of production."

For instance, ENI and the Soviet Union jointly agreed several years ago to supply technical and scientific co-operation to Iraq. Another variation is the attempt by some companies to widen their market penetration by acquiring minority shareholdings in new industries set up in developing countries. One system, which has been used by the mixed state-private chemical conglomerate Montedison, is the

supply of equipment and know-how, against payment in the form of goods produced by the same plant set up in the first place by the Italian concern, which would then sell the goods on the international market.

The sale of licences to developing countries for the production of goods directed for export is yet another example.

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The combination of the absence of Government incentives and the lack of credit facilities has forced Italian companies, both large and small, to rely on their devices to push up their exports at a time of depressed demand. The new initiative

both a diplomatic and a credit level are generally viewed with caution, as has the lira devaluation which given a short-term impetus to Italian exports. In the term, Italian companies are concerned that their own development will no longer be sufficient to insulate them from increasing higher labour and import

Paul B

Creation

The other device Italian enterprises have used, and one which ENI is about to embark on, is the creation of foreign-based holding companies to insulate companies from the international market.

The use of licences to developing countries for the production of goods directed for export is yet another example.

Strong commitment to EEC principles

IT IS quite some time since the welcomed than in Rome, in part because Italians have always had a instinctive feeling that something of a close London-Rome axis is necessary to offset the electorates who are not over-concerned with a nagging concern about Franco-German political dominance in Europe.

Gardner represents more than one in three of the popular vote.

In fact, however, few people in or close to government in Rome actually expect a major shift in U.S. policy towards Italy, but they could be unnerved should the new

American envoy, Mr. Richard Gardner, initiate the type of diplomatic contacts with Italian Communist leaders which, in other countries, might be considered as being of no more than a routine or courtesy nature. But then this is Italy, and the mere possibility of some small change in Washington policy vis-a-vis Italian Communists is bound to put some strain on bilateral relations between the two countries. Mr. Gardner, for his part, has said privately that he has no wish to avoid contacts with the Communists, but "I do not want to give the wrong signals."

Dictated

With the OPEC countries just now, and perhaps to a somewhat less degree with the Soviet Union, more generally, Italian relations are dictated very much by the principle—and certainly by the hope—of trade following the flag. Italy's dependence on imported energy is almost total and there is now a clear need to try to balance (at least in part) the country's mounting oil deficit, a need which, as shown elsewhere in these pages, is being met quite successfully.

Trade too, is a major factor in Italy's relations with Moscow, although the limitation to further expansion at this time is Italy's own economic troubles and an in-

ability to extend new credits to the USSR. There is, in addition, a feeling that Italy should take into account the fact that the Comintern, whatever its insistence on their total independence within the Communist Party, does not represent the popular vote.

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Lastly, there is the position in the Mediterranean. Italy has taken a number of small initiatives to try to restore good relations between Greece and Turkey, both and the unresolved Cyprus question, and the Aegean dispute, and the Greek application for membership of the EEC was warmly welcomed public Rome as elsewhere in the world. It remains true, nonetheless, that Italy shares in private concern about other EEC members' policies, particularly Spain, Portugal and Turkey.

But at least in this respect, Italy is little different from other Community members in the conflict between public welcome "on paper" and its private concern for economic reform regarding enlargement.

Both, and overall these, the operating guidelines were of Italy's foreign policy, but within the concept of a strong commitment to,

the economic field, Italy with France as two important agricultural producers a concern about farm issues from Greece as a main consideration which, in view of Spain, Portugal and Turkey.

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JPL, 1977

Fiat is more than the Fiat you have always known

1899: Fiat Automobiles.

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Since 1976

The Fiat Holding Company

The new Fiat is an industrial holding company with eleven operating groups.

This new organizational setup is the outcome of the need to diversify the Company's product and production strategies.

The new structures call for management flexibility, personal initiative, and decentralization.

Constituted in 1976, the new Fiat is a vital force with about U.S. \$ 1,150 million of investments, about U.S. \$ 11,000 million sales, and a total of 330,000 employees.

Automobiles The automobile is still the mainstay of the Fiat Holding Company. In 1975, the Company sold 1,350,000 automobiles, 55% of them to 150 export markets. This achievement is the outcome of the wide diversification of Fiat models, each of which fills a different niche in the market, but an essential role has also been played by the rational co-ordination of the three companies, namely Lancia, Abarth and Ferrari, all members of the Fiat Automobile Group.

Fiat autos are assembled or produced under licence in 50 plants in 25 countries with 148,000 people on the payroll.

Fiat has also built large industrial complexes which are operated under varying organizational setups in Brazil (Fiat Automóveis), Argentina (Fiat Concord), Spain (Seat), Yugoslavia (Zavodi Crvena Zastava), and Turkey (Tofas). FSO and FSM in Poland and VAZ at Togliatti in the Soviet Union are other major Fiat projects.

Commercial Vehicles IVECO (Industrial Vehicles Corporation) is the result of an agreement between Fiat and Klöckner Humboldt Deutz. This new company, in which Fiat has an 80% interest, co-ordinates the commercial vehicles activities formerly carried out by Fiat Commercial Vehicles, OM, and Lancia Special Vehicles in Italy, Unic in France, and Magirus Dénitz in West Germany.

IVECO operates 14 production and assembly plants, employs a workforce of 50,000 people, produces a range of 200 basic models for all types of transportation, and had an output of 103,000 units in 1976.

Agricultural Tractors Fiat Tractors and its licensees have seven plants, two in Italy, one in Turkey, one in Yugoslavia, one in Romania, one in Zaire, and one in Argentina. They employ a total of 8,000 people and produced about 80,000 tractors in 1976. The range consists of 50 models (two- and four-wheel drive or crawlers) with power outputs from 28 to 160 hp. Fiat Tractors has produced a total of over one million units to date and is the world's leading manufacturer of crawler units for agriculture.

Steel The Steel Group (Teksid) consists of six different divisions: Steel Foundries, Cold-Forming, Forges, Tooling, and Engineering. Already Italy's major producer of special steel, Teksid plans to boost its output in this area to one million tons by 1978. But Teksid is not only steel. It also operates one of Europe's biggest foundry complexes using the most advanced production technologies. The latest cold extrusion and drop forging methods are also employed.

The Steel Group has 17 plants with a combined workforce of 30,000 people. New industrial facilities costing about U.S. \$ 300 million planned for 1982

Construction Machinery Fiat-Allis is the first international joint venture company entered into by Fiat (with a 77% stockholding) and Allis Chalmers 23%. The new company combines the earthmoving equipment production and marketing activities and its basic range consists of 47 different models which are produced in seven plants, of which three are in Italy, two in the U.S., and one each in Brazil and the U.K. Fiat-Allis has 11,500 employees and a yearly output (in 1976) of 9,500 units.

Energy The energy and energy exploitation activity of the Fiat Holding Company in this area includes the most technologically-advanced sectors, such as thermonuclear power stations. The Energy Group is made up of Fiat Aviation and Fiat Thermomechanical-nuclear and Turbogas Division (Fiat-TTG). Gas turbines, diesel engines for ship propulsion and railway applications, plus nuclear power reactors and components are manufactured in five plants employing a total of 4,500 people.

Rolling Stock and Rail Transportation Systems With its sound and long-established tradition, "Fiat Ferroviaria Savigliano" is responsible for the production of technologically-advanced rolling stock. The "Pendolino", the world's first variable-inclination electric unit (now in regular service) and the standard European bogie are two cases in point. "Fiat Ferroviaria Savigliano" also manages (on a 50-50 basis with Eslim) Fiat's stockholdings in the O.M.E.C.A. (Reggio Calabria) and Ferrosud (Matera) companies.

The Rolling Stock Division of Fiat Concord has a plant at Cordoba, Argentina.

The Group employs a total of 4,100 people.

Components The activities of the Fiat companies operating in industrial and vehicle components make up the Components Group of the new Fiat Holding Company. This Group employs over 30,000 people in 46 plants and 40 laboratories engaged in the most diversified fields of production, namely alloy wheels, shock absorbers, steering wheels, electrical materials and equipment (for motor vehicles), paints, lubricants, carburetors, piston rings (for ship diesel engines), compensators, refrigerator compressor units, plus computers and software for automated systems - all characterized by high standards of quality and reliability.

Machine Tools and Production Systems

Comau is a big new company with 11 plants and 5,800 employees, merging the following well-known companies formerly engaged individually in the special-purpose machine tool production sector: M.S.T., Morando, Colubra Lamsat, and IMP, in addition to Berto Lamet, Impes, and UTS. These companies have provided the tooling for a number of major plants all over the world, for example at Togliatti in the Soviet Union (Vaz), in Poland (FSO and FSM), Yugoslavia (ZCZ), Spain (SEAT), Turkey (Tofas), Brazil (Automóveis and FMB), and Italy (Mirafiori and Rivalta in Turin and Sofim at Foggia). Orders have also been received from all the leading European auto makers. Recently, Comau signed a contract to supply production installations for an earthmoving equipment plant at Ceboksari in the Soviet Union.

Civil Engineering and Land Use

Construction of major public works and industrial complexes, town and country planning, and service organization are carried out by the Fiat Holding Company through Impresit, a leading contractor which operates all over the world in co-operation with associated companies or as a member of international joint ventures. Fiat's present involvement in this area is reflected in more than 150 major construction sites with 50,000 people on the payroll.

The Fiat-Engineering Company and other organizations within the Group concentrate on the executive design of factories and large-scale industrial facilities as well as on industrial building (production by Prefim of heavy prefabricated components).

Real estate development is carried out by Imprinvest in Italy and by USIF abroad.

Tourism and Transportation

Ventana has incorporated all the tourist companies operating within the Group and can now offer a host of services ranging from the sale of travel-tickets to the arrangement of package tours and holiday accommodation.

Its sales network includes 25 travel agencies in Italy plus five representative offices and over 300 related agencies all over the world. Fiat is also involved (through Sita and eleven subsidiary companies) in the field of passenger transportation, and it holds stock (through Fitur) in Terme Vescine, Alsa, Alberghi Sardi, Valtur, and Alpila.

The Group employs 4,000 people.

FIAT

BANCA POPOLARE DI NOVARA

Founded in 1871

As at 31st December 1976
 Share Capital: Lit. 6,848,983,000;
 Reserves and Funds: Lit. 146,780,420,480.
 Deposit and current accounts
 over Lit. 3,650 billion.

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Farmers unable to keep pace

IT MAY sound rather mundane demand and agricultural production. They can be traced back to the years of economic Italian over the last 25 years expansion of the 1950s and which constitute a major, if not predominant, factor in the basic structural weakness of a radical change in the eating habits and culinary demands of the country's overall balance of payments situation. The average Italian diet in effect, consisting of pasta and meat or baby veal ultimately has as big an impact on the country's increasing payments deficit as Italy's continually rising energy bill. Ironically, whereas Italy, with little energy resources of its own, is forced to import something like 140m. tons of crude oil a year, it possesses the agricultural potential, with its vast acreage of rural land, to compensate for the higher cost of oil and other imports.

Official statistics show that out of an overall trade deficit of Lit. 402bn. last year, nearly 60 per cent was the result of an agricultural deficit of Lit. 140m. - an increase of Lit. 046bn. on the previous year's farm deficit. In contrast, Italy's oil bill last year of Lit. 676bn. was only double the farm deficit. And while the Government is attempting to effectively reduce the country's oil deficit by launching a series of partnership deals in the oil producing countries, little seemingly appears to have effectively been done to restructure the Italian agricultural system.

Only 25 years ago the country was able to feed itself from its own domestic agricultural output. In 1951, for instance, domestic meat production stood at 7.5m. quintals and was about equal to consumption. By 1973, however, when domestic meat production had risen to about 23m. quintals, consumption had already reached 36m. quintals. Last year, Italy spent Lit. 176bn. on meat imports alone, while domestic production in the first 10 months of 1976 (according to the latest available figures) amounted to only 17.2m. quintals. In other sectors too, demand has vastly overtaken production. Imports of maize, for example, increased from Lit. 450bn. in 1975 to Lit. 505bn. last year, while imports of cheese to a country which produces abundant varieties of its own increased from Lit. 188bn. in 1975 to Lit. 273bn. last year.

There are historical reasons numbers of the agricultural for this widening gap between workforce away from the land.

The decline of Italy's agricultural population, despite the membership of countries like Greece, Spain, Portugal and Turkey on political grounds, if agricultural reform plan continues. In 1975 it dropped by 4.8 per cent and last year by a further 1.2 per cent to agricultural exports, particularly fruit, vegetables, wine and a number of measured urgently olive oil. These products jointly needed to boost production account for about 70 per cent. These included among others, the cultivation of abandoned land in hillside regions, a programme of investments to expand bovine exports increased from Lit. 162bn. in 1975 to Lit. 280bn., while fruit exports dropped to Lit. 445bn. compared to Lit. 483bn. the previous year. As regards wines, which has been the source of continuing friction between ports last year increased from Lit. 255bn. in 1975 to Lit. 340bn.

Although the wine war with France is perhaps one of the most celebrated instances of economic divergencies on agriculture between Community states, the row between Tunisia and Italy on the question of EEC restrictions on Tunisian olive oil exports is an indication of the split interests which could unsettle wider European agricultural co-operation.

With the entry of the Maghreb and other Mediterranean states in the broad framework of the Community. It was the conflict of interests over olive oil between Italy and Tunisia which is believed to have prompted the so-called "Sardinian war" between the two countries when Tunisia seized a number of Sicilian fishing vessels off its southern coast. Diplomatic observers in Tunis interpreted the Tunisian move as retaliation against Italian obstruction to its olive oil exports.

These are, however, peripheral problems for Italian agriculture. The crucial issue is the reconstruction and modernisation of a sector which in the words of a joint communiqué issued last week after a meeting of representatives of the country's democratic parties, should "provide 90 per cent of Italy's total food consumption needs." Although the Government has attempted to reduce the growth in consumption by a series of devices, including a raising of value added tax on meat or threatening to introduce meat rationing, this is as the Communist Party has pointed out, is no long-term solution. According to the Communists, it is now no longer possible to change the

EEC through the eventual consumption patterns of the Lit. 317bn. invested in the country must try last year, only Lit. 234bn. went to agriculture. Of these Lit. 234bn. on the part of the country's political public expenditure. Yet agriculture employs nearly 15 per cent of Italy's total labour force and represents about 9 per cent gross national product. Consequently, if this vital economic sector is to be exploited to its fullest potential, the State will somehow have to find the necessary funds for wide-scale investments. It will also have to think its ambitious industrial reconversion plan and channel some of the dunes into agriculture rather than support, as has done overwhelmingly in the past, industrial development at the detriment of the rural sector.

However, out of a total of

P.I.

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CORRESPONDENTS THROUGHOUT THE WORLD

GENERALI

Assicurazioni Generali Sp.A.

The Board of Directors of Assicurazioni Generali, under the Chairmanship of Sen. Cesare Merzagora, Chairman of the Company, met at the beginning of March to examine the provisional results of the 1976 Balance Sheet.

Premiums collected amounted to about 750 million Lire (equivalent to approximately 500 million pounds), showing an increase of about 25%. The general trend of the various classes of business, although still negative, showed an improvement also in those classes which were more heavily affected last year (such as Motor Third Party Liability). Investment profits showed a marked increase, also due to currency fluctuations.

Some positive factors of a special nature make it possible to forecast a favourable final result for the year 1976 and a notable improvement for 1977 due to the vast reorganisation programme undertaken by the Company.

This reorganisation programme was begun in consideration of the Company's vast interests and responsibilities at an international level: the Generali—as is well known—is at the head of a world-wide Group of Companies, the third in Europe as far as premium income is concerned. The Group is made up of 27 insurance subsidiaries operating in about 30 markets. To these one should add another 2 companies in which the Group holds a relevant majority or substantial minority shareholdings thus bringing to over 40 the total number of countries in which the Generali Group operates.

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The Representative Offices in

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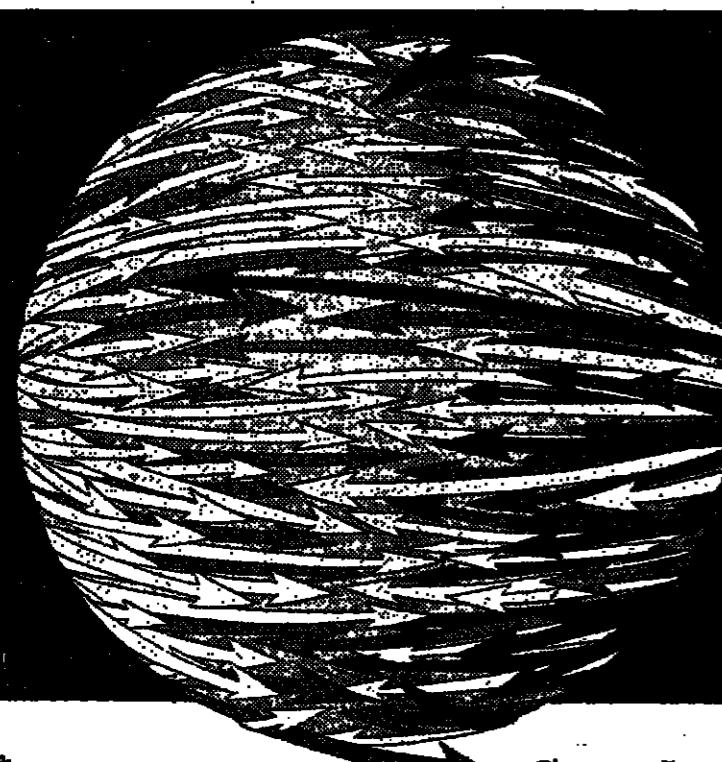
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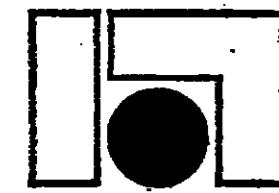
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The spread between Italian deposit and lending rates is enormous compared with anything in the loosely-defined Anglo-Saxon banking world, and as a consequence the banks here do very nicely indeed, even though their published profits tend to be understated. This applies almost equally to the Italy's powerful Communist

CONTINUED ON NEXT PAGE

Joyce 1/60

pace

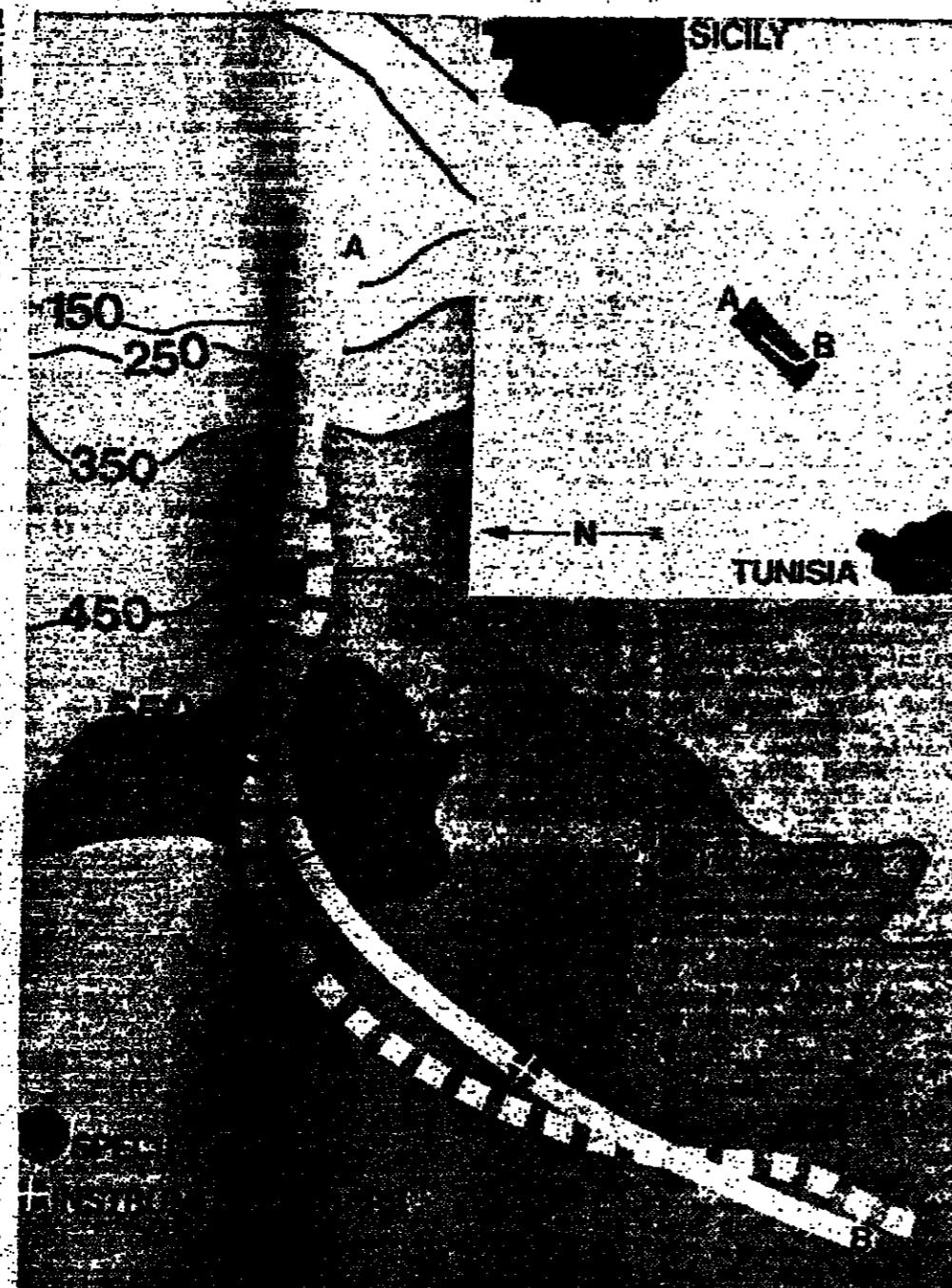
31.7bn invested in the last year, only 1.5 per cent... Of these 12.2bn, a small proportion came from Italy's total labour force, which represents about 9 per cent of its national product. One is to be explored further between Europe and Africa on the bed of the Mediterranean. To bring liquefied gas directly to Italy, if abandoned, there is little doubt that the trials last year proved that it would be technically possible were a separate demonstration of the use of the Italian energy industry. ENI, the State-owned oil and petrochemicals group, noted that the trials showed conclusively that the two conditions could be joined by a scheme had at depths of up to 200 feet or deeper than any other has operated.

The scheme was to bridge the Sicily Strait between Sicily and Tunisia. ENI's engineering subsidiaries Snamprogetti (research and design) and Saipem (construction) reported recently on the outcome of trials which last summer were attracting great interest in the offshore industries of the world. These demonstrated that only one pipeline can be laid by remote manipulation on highly irregular sea floor, but that it can be recovered and repaired. Saipem is now completing an advanced type of self-submersible pipelaying vessel incorporating the technology and lessons learned from the trials.

surpassed

The operation drew upon earlier trials going back to 1972 when British Petroleum commenced Saipem to lay a 32-inch pipeline in an unprecedented 100 feet of water. Then in 1974 ENI, another ENI subsidiary which transports oil and gas, had Saipem to lay a 10.75-inch line from Sicily to the Italian mainland. The depth, 1200 feet, did not beat any record in the world, the company claims.

From this experience Saipem found that its most difficult problem with the self-propelled seafloor would



Pipeline route (solid) and lay barge route (broken) taken by ENI in laying two miles of natural gas pipeline on the seabed in mid-Mediterranean last summer. The demonstration included a 7,500-foot radius bend.

product and of total imports. Angellini, the trend confirmed heavy water moderated, fogs shows why a country poor in past experience that a dip in cooled reactor fuelled by indigenous energy resources, electricity demand was normally natural uranium. After four desirably needs nuclear soon followed by an accelerated years of discussion, construction energy. The State-owned electric revival. This made all the of a 40MW experimental version of the utility ENEL, representing more urgent, he said, the need to start within the narrow, narrow channels under the constraint of sea and wind currents in the high technical status of the operation.

Even so, the "stinger" whereby the line is passed over the sea failed no more than three times while Spain was laying two miles of new nuclear megawatts added to the electricity grid remains depressingly flat—only about 620 MW from the three small demonstration reactors built in the 1960s.

Late in 1975 an inter-ministerial committee approved the re-launch of the country to abandon the over-sized stinger and adopt instead a pivoting ramp of the kind being built into the new pipeline barge.

Politics—Tunisia's refusal to operate in the scheme—delayed the intercontinentals until 1983. Eight were to be installed for 1976.

France was beginning to go ahead. But a project that should come to fruition on a national level: the first two were given the green light only in January this year. They are to be built in spite of political opposition within France and the nation's big power stations.

The Group is operating in France (840 MW). Fuel is oil, which would add another 100 MW to the plant. The plant has reached the point of final tests.

Professor Arnaldo Angellini, chairman of ENEL, recently announced the latest trends in Italian electricity demand and the impact not just of an industrial labour situation but of increased public hostility.

Professor Angellini, showing the revival that has followed sharp up in demand for nuclear stations. Those, however, logically, were added impetus by the industrial accident at Seveso last year, which spread a deadly

indestructible chemical waste over the countryside.

Italy's oil import bill is up 12 per cent over 1975. According to Professor

Leader

Italy also claims to be the world's leader in exploiting geothermal energy, in that it produces about half of the world's total energy harnessed from this source.

But this amounts to only about 2 per cent of Italy's electricity demand.

Moreover, ENEL reports that it is difficult to discover commercially significant new pockets of geothermal energy at a rate that keeps pace with the exhaustion of older boreholes.

Nothing puts geothermal heat into perspective better than the chilling fact that the total world output of electricity from this source—around 55bn kWh a year—is less than the annual output expected from Italy's new nuclear station at Cirene.

Turning to more advanced nuclear ventures, CNEN has designed an Italian pressure vessel similar to Canada's Candu and Britain's steamer (SGGW) reactors. Cirene is a

David Fishlock
Science Editor

Bankers unhappy

CONTINUED FROM PREVIOUS PAGE

It was commented that the idea, though with reservations, is possible in the present difficult with reservations as pressed economic climate. Well-established companies like Fiat, others, including established companies like Fiat, have former managers of course get access to development capital, but even in this, he had had a slight this case the recourse was to equity release, and they took a celebrated share and loan deal. Pirelli did manage towards urgently needed to pull off a recent attractively, to more advanced financial reconstruction and pitched rights issue through the market, but for a while the corporation underwriters looked to be at the exchange for corporate paper. The real risk and Mediobanca, the themselves, whispered State medium-term credit agency, came into the overall package with an interesting interest-subsidized, partial loan to the weight of their own Pirelli's small-shareholders.

On the other hand most shareholders have just given a pronounced thumbs-down sign to reforming the stock exchange rights issue by the Italian State had literally to bank from collapsing the weight of their own Pirelli's small-shareholders. In this situation the shareholders are talking about a home-based Societe Generale Immobiliare, formerly the capital for industry, sheet-anchor of the empire of capital, financier, Sig. Michele Sindona, whose real programme has been fighting protracted. None indeed is who is currently fighting pro-

ceeding in the U.S. to have him extradited to Italy. SGCI is now reported to have total debts of some 1500bn (£333ml), with the Borsa di Roma alone believed to have loans outstanding directly to the company of at least £100m.

Meanwhile, the Bourse itself has come under new controls which could possibly result in a market, but for a while the commission on companies and the Bourse. The five-member

agency is to discipline quoted companies, as to the quantity and frequency of their accounts, and it also has control over the admission of new securities to the official listing.

It will supervise overall Bourse activities, presumably keeping a specially close eye on insider-dealing, and in general will have the task of regulating trading on the market, the suspension and cancellation of shares, as well as the right to

D.J.C.

stet group

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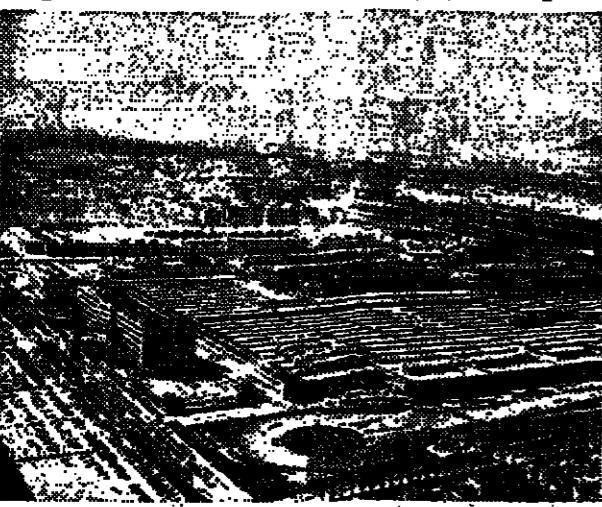
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9/13 June 1977

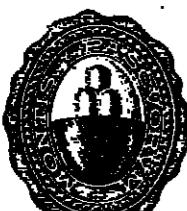
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ITALY VIII

State giants in turmoil

IT HAS BEEN a miserable year and social crisis. This wide-ranging crisis has in turn hit increased from L490bn. in 1975 first and foremost the State to L670bn., while its accumulated debts at the end of 1976 amounted to L14,300bn., of which some L5,200bn. in short-term borrowing was carrying annual interest rates of the order of nearly 20 per cent. While one of EGAM's subsidiaries, the mercury producing company of Monte Amiata, with a workforce of 12,000 people, last year lost L1bn. (nearly L1m. per employee), the IRI Bagnoli steel plant in Naples lost L78bn. in 1975. Another IRI subsidiary, the Alfa Sud car plant at Pomigliano lost in the same year L606bn.

The IRI top management is currently split after a major row between the chairman, Sig. Giuseppe Petrilli, and a group of 13 top managers. Two of Montedison's chief managers—the financial director, Sig. Giorgio Corsi and the chairman's planning adviser, Sig. Gioacchino Albani—resigned last month in a major management shake-up. In a lower key, resentment has been simmering at ENI over the long-delayed appointment of a new chairman of its oil subsidiary, ACIP, which with a turnover of some L6,000bn. and activities in a strategic sector of the national economy is perhaps one of the key posts in the State sector.

As if this were not enough, the Government has now decided to dismantle the State mineral agency, Ente di Gestione Aziende Minerarie e Metallurgiche (EGAM), which last year reported losses of some L210bn. and accumulated debts of L915bn. EGAM in effect is symbolic of the decline of the Italian State sector system.

Rescue

It was originally set up as a rescue operation to bail out bankrupt private companies. It was intended to group exclusively together a broad network of the country's mineral enterprises. It became, however, a "golden cushion" and a vehicle for Christian Democratic political patronage. Of the 72 companies it controlled at the end of last year, only 30 were directly involved in the mineral sector. The rest operated either in steel or special steels, textile machinery and a variety of assorted activities.

In March, 1975, EGAM's chairman, Sig. Mario Einaudi, was forced to resign after a controversial deal—in which EGAM bought an ailing Genoa shipping, insurance and newspaper group, Villain e Fazio. Since then the group has been managed by a Government commission.

If EGAM is an extreme case, the financial performance of the bigger groups is equally disturbing.

But groups like IRI and ENI ultimately depend on the nature of the country itself, which has now entered into a period of profound economic, political

problem has been exacerbated by elements peculiar to Italy itself. There has never been, to cost L1,150bn., and it is have reported notable financial difficulties that it would have recoveries last year. The cost far less to build it on a pipeline-laying concern SAI and the engineering g

It is also important to p similar plant in Reggio Calabria. The plant itself is expected out that many of these gr

Sham reported profits L2.2bn. and L2.6bn. respectively last year after depreciation. Montedison, in spite of current difficulties, manage the additional problem of intensely complicated and rigid labour relations. Simultaneously, in order to reduce their debt burden and consolidate their financial positions, they are faced with the

market. The recent turnhows the whole system of mixed economy based on large State-controlled conglomerates is a consequence of the changing balance of power in Italy and outcome of the recession facing the country's dramatic industrialisation since the

The system has reached a turning point evolution. It is a test case of the country's political form will ultimately be their responsibility to decide on restructuring, both financial and managerial, of a system ideally should combine advantages of private enterprise with the wider social, political and economic objectives of nationalised industry.

Textile

Similarly there are no signs of a measured approach to the chronic situation in the fibres and textile sector which has been severely hit by the current overcapacity of Italian production. Indeed the situation is such that new investments are planned in the textile sector at a time when, according to another industrialist, they should be diversified into other fields.

This is in large measure the result of a broad policy of debt financing encouraged, until recently, by the Government, the trade unions and the Communist Party itself in their system—a highly centralised top management structure of State enterprises—and increasing political interference which together have sapped the original entrepreneurial quality of these large groups.

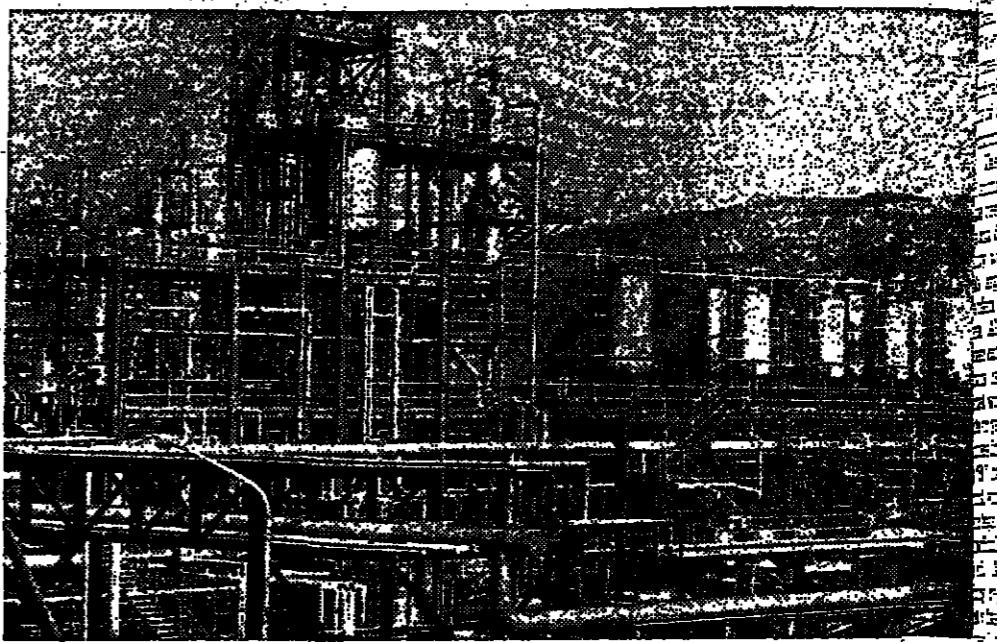
The political gains of the Communist Party of the June elections last year have played an important role both in highlighting the abuses in the Italian system of public enter-

prises at the same time as causing a hardening up of the traditional Christian Democrat position towards these industries. It has led to a major battle over the question of appointments to senior industry and banking posts, with the Christian Democrats resisting Communist attempts to change the current system of political appointments.

The Christian Democrats, concerned by the way the image of the State sector is being damaged by the unravelling of past and present distortions and intrigues in the system, are especially worried over the gradual erosion of their control as a result of the changing balance of power in Italy over what is, perhaps, their main power base.

There are other factors too.

The world recession in sectors like textiles, chemicals, and steel has played its part in precipitating the crisis. But the



A section of ANIC's Pistisci petrochemicals complex.

Small companies show up well

SIG. FIORAVANTI MALA-VOLTA — former army jeeps and trucks — despite the figurative into industrial vehicles like mini-mixers and small dumpers — is not a character from the especially for the construction Commedia dell'Arte. In many sectors, however, he could well With the L4m he saved from his activities as a mechanic and another L4m he borrowed, he opened a small workshop, employed ten people and started producing one dumper a day. That was in 1948. To-day Sig. Malavolta sells 12,000 dumpers.

He is, in effect, one of those 1,200 small industrialists of the some made according to strict medieval town of Modena, in specifications by individual customers, to 53 countries all over the region of Emilia Romagna in the fertile plains between the world including Britain, Florence and Milan, who last year jointly exported some 400,000 units of local products. He set up assembly plants in Venezuela, Singapore and the Arab countries, in spite of what seems, like so many of his fellow small businessmen, immune from the country's economic recession and political uncertainty. And in a year in which most of Italy's large conglomerates reported losses and accumulated debts of massive proportions, Sig. Malavolta reported a profit of about 10 per cent. on his annual turnover of L7.5bn.

Sig. Malavolta is an emblematic case. He represents that 90 per cent. of Italy's industrial base which is made up by small industries employing no more than 100 to 150 people. These industries effectively account for perhaps the most profitable and positive sector of the Italian economy — a sector which is reported to have prompted the West Germans last year, before renewing a gold-backed loan to Italy, to demand strong Government guarantees to stop the export of cut-price Italian stockings to the Federal Republic.

Repairing

Sig. Malavolta does not produce stockings. He started at the age of 15 as a mechanic and at 19 he joined Fiat Trattori, the tractor manufacturing plant in Modena of the Turin-based Agnelli family group. After the war he decided to start his own car and tractor repairing business in the suburbs of Modena, which has always had a mechanical vocation and where the Ferrari and the Maserati were born. He had then only a 12-year-old boy (who is still an employee) to help him in his business, which started flourishing when he decided to convert

year before — is in large measure due to the political and social characteristics of Modena. Since the war the town, which now has a population of about 170,000, has been under Communist control. The Communist Party has looked towards Modena as a public platform to show the rest of Italy — and indeed the West — how efficiently a Communist administration can work.

It has used Modena to illustrate its philosophy of a mixed State/private economy based on individual private enterprise — in the case the wide web of small and medium industries in the mechanical, ceramic and clothing sectors — co-ordinated by the local administration as a viable alternative to an economy founded on large groups which, according to the Marxist principle of accumulation, end up enlarging themselves ad infinitum.

He has always reinvested his profits and he has always ignored competition. "My philosophy is quite simple," he said. "I try to produce things which are new and which no one seems to want to produce. I have now, for instance, invented a gadget to shake olives off the tree. I am always working on new ideas."

He has what one could term a puritan approach to work. It is reflected in his modest way of life, in his unpolitical approach in a highly political country, and above all in the manner he conducts his labour relations with the staff of his company, called Fiori (or Flowers). While troubled industrial relations are perhaps the order of the day in most large industries in Italy, Sig. Malavolta has never had a major clash with his shop stewards. Labour relations at the company are handled at local factory level. Sig. Malavolta knows his shop stewards care little for the centralised unions or the national confederation of employers' Confindustria. Their method is to resolve their differences among among themselves and to ensure a constant flow of the products on which the whole business depends.

The success of men like Sig. Malavolta — represented in the simple statistic that the region's mechanical industries last year exported some L300bn. of goods compared with L241.bn. the

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Pollution debate rages on

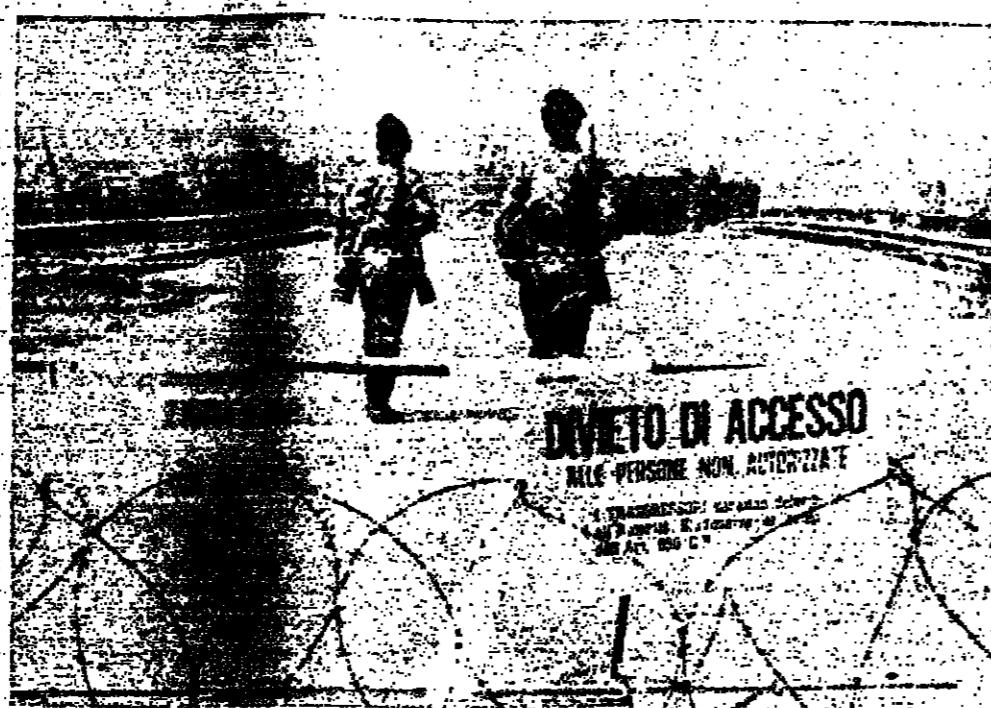
It is also important to note that many of the reported cases of pipeline-laying damage have been reported by Snam and the company's reported 1.2.2 billion cubic metres last year. In current difficulties, the lead has disturbed the small quiet of the town of Seveso and Meda, about 10 miles north of Milan just off the main road to the Lake of Como. From the chimney of the Olivadese Icmesa plant, subsidiary of the Swiss pharmaceuticals Hoffman La Roche, some 500 kg of smoke shot up in the air and formed a thick white cloud which slowly dissolved and what looked like big snowflakes started falling on the ground. Children were seen rushing out of the small back gardens of their houses or in the streets trying to catch the unusual summer snow. For 10 days after this freak occurrence life went on as usual in this area, famous above all for its community of small furniture firms.

Seveso and Meda have since become synonymous with a catastrophe whose enormity has few parallels. There have been so far, since the escape of the dioxin gas, some 500 cases of children afflicted by chloracne, a severe skin disease believed to be caused by the poison. Thirty-four women have been aborted because of fears that they might produce deformed children. And there are some 200,000 people who live in the neighbourhood whose lives have been radically transformed by the events of last July.

The contaminated area is now sealed off. The carcasses of some 60,000 animals killed after a leak have been collected in plastic bags and dumped in the same factory while scientists argue over the steps to be taken to decontaminate the area. All trees in the little investigated Aeronautica office of the Lombardy region have been cut. What vegetation remains is left to rot. It was admitted that no one had been buried in white or yellow overalls over the houses in the so-called "A" and "B" zones and dug the ground, which they also did in plastic bags. The poison, according to officials, has seeped into the soil. And although Lombardy regional officials claim that it has only permeated between 10 and 15 centimetres below the ground, there are many who say that it has washed into streams and worked its way down as Milan.

There are in Italy certain norms covering safety, industrial pollution, and environmental control in industrial zones. Legislation requires declarations from companies on the technological content, working conditions and intended production before permits are issued to set up a plant. But the system is such that it leaves wide gaps open for abuses, which are not only the result of corruption but often of the huge bureaucracy and the ramifications of local bodies each with confused ideas about their respective responsibilities. It is, in short, perhaps easier than in most other industrial countries to get the permits necessary to set up plants in Italy. There is another factor too. While the workforce until the 1970s was cheaper than in other industrialised countries, it has become a political battleground for the pro- and anti-abortion factions. And if from around the L60bn, have already been invested in for the rehabilitation of the area, the final figure is set at least to triple.

Already, however, the case of Seveso has in certain communities provoked resistance against industrial projects they fear would damage the water



The boundaries of the contaminated area near Seveso.

caused by dioxin, the risks of pollution can last for as long as 10 years. Dioxin, in effect, is the name for chemicals like tetrachlorodibenzodioxin (TCDD) produced at the Icmesa plant and whose use, among other things, is as a powerful defoliant. In Vietnam during the long war, defoliants of this kind were scattered over huge areas by American aircraft.

In Italy the Icmesa plant has so far aroused much emotion and much distress. But yet—and this nine months after the event—the crucial decisions remain unanswered and the area. All trees in the little investigated Aeronautica office of the Lombardy region have been cut. What vegetation remains is left to rot. It was admitted that no one had been buried in white or yellow overalls over the houses in the so-called "A" and "B" zones and dug the ground, which they also did in plastic bags. The poison, according to officials, has seeped into the soil. And although Lombardy regional officials claim that it has only permeated between 10 and 15 centimetres below the ground, there are many who say that it has washed into streams and worked its way down as Milan.

Treatment

At Porto Marghera, the industrial zone near Venice, where Montedison has built a £500m complex employing nearly 12,000 people, the group has committed itself to a major ecological programme. This involves the treatment of liquid effluents, neutralisation, clarification of water and atmosphere, and the treatment of gaseous emissions.

At Trieste, however, which is only a short distance north of Venice, there is now growing anxiety, following the ratification of the Treaty of Osmo between Italy and Yugoslavia.

Companies had the added incentive to invest in Italy since the Government granted credit facilities at favourable terms for new investment in the depressed regions of the country, particularly in the south.

Already, however, the case of Seveso has in certain communities provoked resistance against industrial projects they fear

P.B.

mall companies

CONTINUED FROM PREVIOUS PAGE

itself largely resents the whole of exports last year increased from £116bn to £138bn, which has effectively dictated the individual political and economic evolution of the area and has in effect little to do with Communism or any other political creed for that matter. Until recently, with the advent of the acute credit squeeze, the industry could not help develop.

With a minimum amount of risk capital, small entrepreneurs could set up a plant by borrowing on the short-term market at the same time as applying for medium-term credit. By the time they received the medium-term credit, usually a year and a half later, they would have already repaid their short-term debts.

A Rago Company is one of the largest. It has some 2,000 employees and a turnover last year of £100m, yet it is still reinvesting in a business which is in a highly individual and competitive position. Plants are run by its founder, a 62-year-old widow, Signora Afra every five years. The medium-term credit would then be used to cover the company's running costs. She runs her business like a BBC Sunday serial "The Brothers," in and out of Italy practically as she pleased.

Today, however, with the by carefully choosing her high cost of money in Italy and in law. She has always strict foreign exchange restrictions to conduct trouble-free transactions. These relations in Modena and always be overcome by the unknown for her ability to simple devices of "under-deals" with the Comune involving the industry has and the trade unions.

Information: EISA Via Spallanzani 00161 ROMA Tel. 855-757-0000

the success of one industry runs on another, for it is a characteristic of the region to use as far as possible local production. The ceramic industry has thus engendered a thriving mechanical industry which provides the required technology and machinery to feed it. And all these different yet interrelated industries, and the Communist Party and the unions abide by the rules of the game.

It is perhaps significant that in this climate of entrepreneurial elan, the SCEI plant in Sasso, controlled by the giant Milan-based chemicals group Montedison, went into liquidation some years ago, while other industries continued to increase their profit margins.

There is, however, growing concern among small industrialists that the country's economic and political problems could shortly undermine the whole intricate and profitable network of small and medium industries.

Is the very nature of the trouble-free labour in Italy in the last two months in the ceramic industry, relations needed to allow pro-

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Even before Seveso, there had been a growing environmental movement in Italy. The cholera epidemic of Naples managed to focus attention on the serious problems of sea pollution. The threat of Venice sinking turned the eyes of the country and those of international organisations like Unesco towards the question of Porto Marghera and of the dangerous fumes from the Venice lagoon which periodically flood the historic centre. Conservation groups like Italia Nostra have been campaigning against the state of general decay of Italian monuments and historic buildings and the destruction of rural areas by irresponsible housing or industrial developments. The trades unions have been fighting for stricter safety standards and surrounding industrial estate to a greater commitment on the part of Government and employers.

Although there are now signs that something is happening, it is a long drawn-out process which is often deliberately resisted. At a time of growing economic difficulties and scarce credit facilities, industrialists, especially of small and medium enterprises point out that the cost of installing a separation plant could seriously endanger the financial viability of their companies. They claim that "environmental and ecological phobia" has gripped local administrations and political parties, which have transformed the issue for individual voting purposes.

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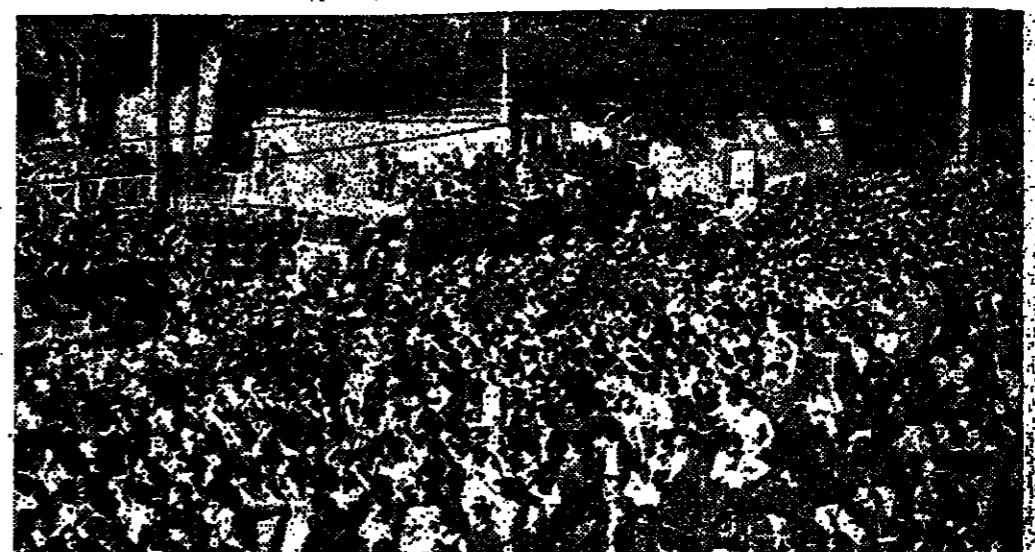
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Saras: on the oil route.



ITALY X

Labour holds the key



Union parade marshals form a road block to prevent thousands of students from entering the Piazza San Giovanni during demonstrations last month against the Government's austerity measures.

MOST TOURISTS crossing into Italy by road generally come equipped with petrol coupons and at least one word of Italian —sciopero, or strike. It is not that Italy invariably tops the world list of countries with days lost through industrial disputes, it just seems that way, in part at least because the strike weapon is used frequently but usually for very brief periods, sometimes as little as 15 minutes at a time.

Nor is it necessarily the instinctive response of an undisciplined workforce to relatively minor knots in industrial relations. Increasingly nowadays, a strike is an occasion for easing frustration and for showing the politicians the real power of the country's three big trade union confederations, CGIL, CISL and UIL, a triumvirate which, despite its ideologically different component parts, reflects somewhat loosely the Communist, Christian Democrat and Socialist parties, manages in these days to preserve an image of uniformity on behalf of a combined membership of some 8.3m.

CGIL-CISL-UIL is a potent force in Italian politics. It would be wrong to claim that it can make or break governments; but, given the present delicate political situation, the confederations are likely to come out on top in any direct confrontation with the administration. That the issue is seldom put to the full test is, in a way, an acceptance of an accommodation on both sides, although the union leadership right now is going through a difficult period, principally because of growing concern at the membership base that the leaders are "selling out" to the bosses, whether to the collective employer organisation, Confindustria, now led by former Bank of Italy Governor, Dr. Guido Carli, or to the minority government of Sig. Giulio Andreotti.

But they, of late, show some degree of flexibility, even if at a price of causing growing dissent at the factory floor level where there is a real risk of the union leadership, and the Government for that matter, being ignored when it comes to sectoral and plant-by-plant bargaining within the broad guidelines of national wage agreements. Some concessions have emerged in talks between the unions and Confindustria, not least on labour mobility, a thorny problem here in Italy which, in extreme but by no means exceptional cases, means that an employer is not free to move personnel even in a situation within the same industrial plant in which temporarily surplus workers in one section are matched identically by shortages at another stage in the production process. There have also been some useful concessions on another almost perennial (although currently less potent) such is the understandable response to growing unemployment) problem area, namely absenteeism, or simply moonlighting under another name.

This is responsible progress, for which the trade union leaders deserve credit, but it should be seen against the background of an Italian labour market in which, for all practical purposes, no employee can be fired. There are, of course, exceptions to this, but there are few of them, and it is an important reason why most new foreign investment within Italy is nowadays limited to capital as against labour-intensive industries.

Representation

Italy's trade union confederations are, in fact, not really representative of the country's potential work force, but only of those actually in employment. True, there are increasing trade union demands for a direct influence over government investment policies, particularly in the depressed southern region of the country, for a degree of worker participation, but, and with some honourable exceptions, these are demands received by union leaders when speaking to the unemployed in Naples in the south and not, for example, those in work in Milan or Turin. The principle, which has been heard in Britain too, of trade union leaders being prepared to trade-off smaller increases in wages against new investment and measures for cutting back on unemployment is one which inevitably has more conviction with the unemployed than with those who actually have a job.

The rigid commitment to the inflationary scala mobile, given the pace of Italy's current inflation, means on the basis of unchanged policies that the country's price index is estimated officially to increase this year by some 27 points, each point being roughly £1,400 (£1.60), monthly. The Andreotti government, under pressure from the IMF, has sought to reduce the real increase in Italian wage costs to 16 points by an interesting process of having the central treasury pay some of employers' heavy social welfare contributions and recovering the cost involved through higher VAT rates.

But in order to arrest the prices-wages spiral, it was considered necessary to "sterilise" from the scala mobile the price

effects of this increased indirect taxation. The unions, however, resisted recently with both strong pressure from the IMF. Appreciating the real extent of the economic difficulties facing Italy is one thing. Telling workers that an essential contribution towards solving the workers' real wages. They accepted changes in the weightings of a number of components in the cost-of-living "basket" including electricity and urban transport tariffs and the cost of newspapers. It is at least a start to attacking one (but only one) of the root causes of Italy's inflation.

But accepting these alterations has not been without difficulty for the trade union leadership. The rank-and-file membership is both disturbed and somewhat confused ("Why should the workers be making all the sacrifices to bail out a conservative Christian Democrat government at the dictates of the IMF?"), and few top trade unionists relish the prospect of trying to sell directly on the shop floor the package nego-

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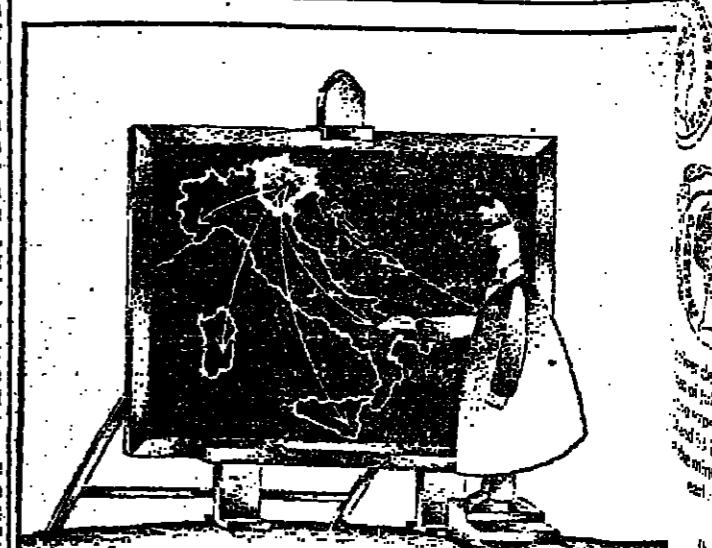
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dates of the survey are Monday, April 25 and Monday, May 2. For further information about this survey, the proposed editorial matter, copy date and advertising rates contact:

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Student movement shows its strength

THE STUDENT revolt and the "Order" or "New Order," those unprecedented wave of political violence which has simultaneously gripped America and the beginning of the year, criminal network linking persons the single most dangerous element in the current political and economic instability.

More significant than only a few days before the erupting student clashes between student and police, the Prime Minister, Giulio Andreotti, in his speech before Parliament, declared, before Parliament, that political terrorism had nearly doubled last year compared to the year before. He said, forces which were attempting to create climate of political tension and wanted to drag the country into a state of anarchy.

The Prime Minister, who released some alarming figures showing that there had been 1,100 political crimes last year compared to 628 in 1975, was speaking at the same time as the opening of the trial in Milan on the bombings at Piazza Fontana in Milan in December 1969, in which 19 people were killed. As the trial runs the risk of dragging into the background, this can effectively be summed up in a few statistics. There are about 730,000 university students in Italy, three times as many as in the early 60s and some 300,000 more than can be accommodated in the country's 44 universities. Most of these students have little if any chance of getting jobs.

At a youth employment conference held in Rome earlier this year delegates pointed out that out of every 100 unemployed 64 are between the ages of 15 and 24. Another set of statistics reveals that between 1.6m. and 2m. people under 29 are without jobs, of which about 80 per cent are looking for their first job. Of this 80 per cent, about half are graduates or hold a senior education certificate.

The country's universities have been turned, in the words of one slogan painted on the walls of Rome University, into "unemployment factories" and have thus become the base for Left-wing extra-parliamentary groupings which find expression in such movements as "Avanguardia Operaia" or "Lotta Continua," which, according to another slogan, want "To destroy everything since we can't get anything."

This exacerbation is the outcome of a combination of factors of which the lack of job prospects is perhaps the most serious. Students claim that there is a large measure of reluctance on the part of industry to employ anybody under the age of between 25 and 30, while industry says that most students are educated in fields which are completely divorced from the country's productive market base. Although the Italian labour market currently absorbs about 10 per cent of the annual student population, industry points out that a student effectively costs about 20 per cent more to employ than a not so qualified adult.

The problem, however, is to movements like "Black

exacerbated by certain factors allocate 25 per cent of future union suggestions that unemployed students should turn to manual labour, in the Marxist phenomenon known as "double work" and another called "black work." There are, according to the Italian Labour Minister, Sig. Tina Anselmi, some 2.5m. Italians engaged in "double work" who hold, for instance, a public sector white collar job at the same time as running a business of their own.

Benefits

In other cases there are workers on State-subsidised salaries who draw benefits as well as working elsewhere. This is encouraged by certain employers, who in this way can avoid paying the heavy social welfare contributions of individual employees. The employee, for his part, can consequently receive a higher pay than he would otherwise obtain since social welfare contributions now average about 40 per cent of the effective salary. As to State-subsidised salaries, these amount to 80 per cent of a worker's former salary for a period of a year, subsequently reduced, if the worker is still unemployed, to 66 per cent.

"Black work" is a variation of "double work" in that it is a hidden source of income for tens of thousands of Italians. It is practised in particular in the country's broad web of cottage industries, which by avoiding Italy's high social security costs and minimum wages, have managed to remain competitive. According to the Labour Minister, if such activities were stopped they would release about 1m. or more jobs on the labour market.

The Italian Education Minister, Sig. Franco Maria Malfatti, has proposed a series of university reforms to limit the number of entrants in specific disciplines in order to offset the heavy concentration of jobless graduates in certain sectors. According to some estimates there will be next year about 807,000 schoolteachers and 141,000 general practitioners, while one out of every five recently graduated architects are jobless. Sig. Malfatti's proposal, however, has sparked off violent opposition from the students, who claim that the measure would limit the right of all students to study.

The Government has now elaborated a three-year "student plan" for which it has allocated Lit. 1,060bn., of which L750bn. is for the private sector to create new job opportunities. The plan envisages the creation of between 350,000 and 400,000 new jobs through openings in private industry, apprenticeship contracts with secure job prospects after the initial training period, jobs in social services and public administration. The Government also intends to

effectively the factor which first provoked the student unrest. Among the reforms proposed by Sig. Malfatti, there was one which sought to reverse some of the measures adopted by the government after the student riots of the late sixties. This was a proposal to stop the practice enabling students to sit a series of exams in the same discipline in order to graduate.

Sig. Malfatti wanted instead to enforce a rigorous system where students would have to pass exams in strictly different subjects.

However, the main target of the great mass of Left-wing students has now become the powerful Italian Communist Party.

Although the unions have urged that the problem of the universities and of youth employment in general should be considered within the framework of the country's industrial reconstruction and reconversion programme—which should include, among other things, provisions for labour-intensive investments in the depressed South—the students point out that the union movement has so far always adopted a policy backing the employed and not the unemployed.

They point especially to the problems of large numbers of young people who have never had a first job, and who have no way of receiving any kind of unemployment benefit. To qualify for such benefits in Italy it is necessary to have worked for at least two years and to have had social welfare contributions paid by an employer for at least 12 months.

The students claim that the unions in their current proposals have so far made no move towards solving this serious discrepancy in the system.

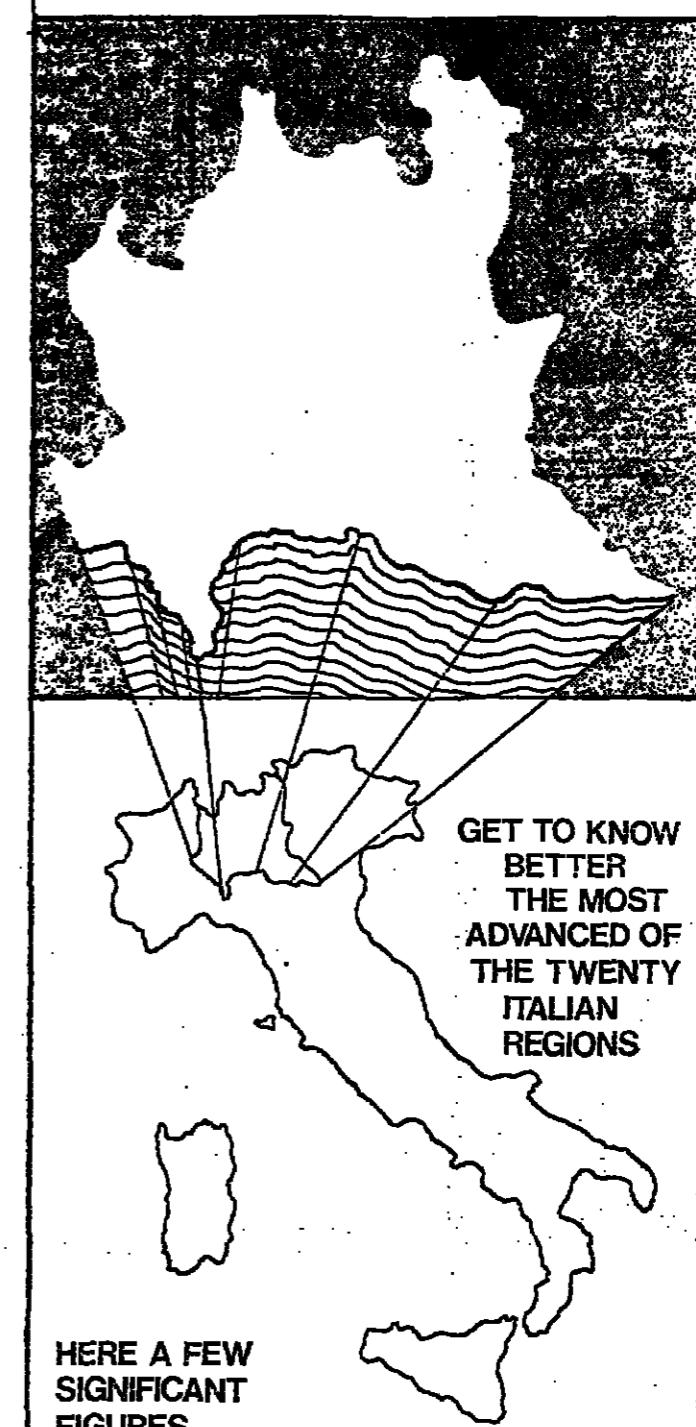
At a rally in February at Rome University, students shouted down the Communist trade union leader, Sig. Luciano Lama, and said they were tired of being used in the union fight to give power to the workers when the workers' movement, which effectively now has power, did nothing in return. Trade

P.B.

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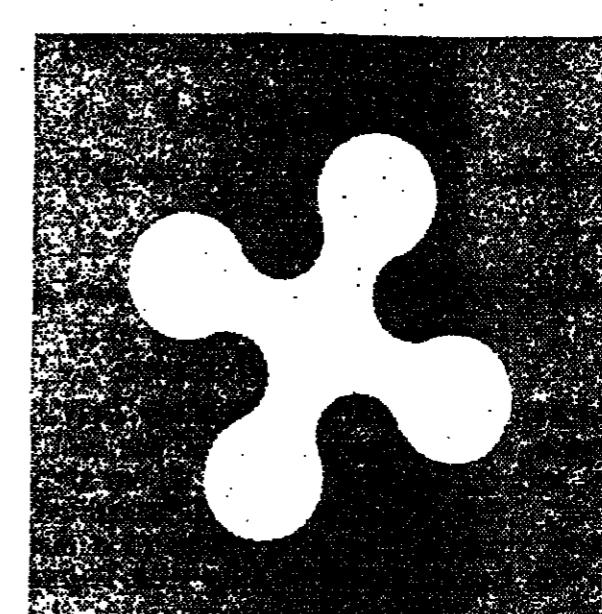
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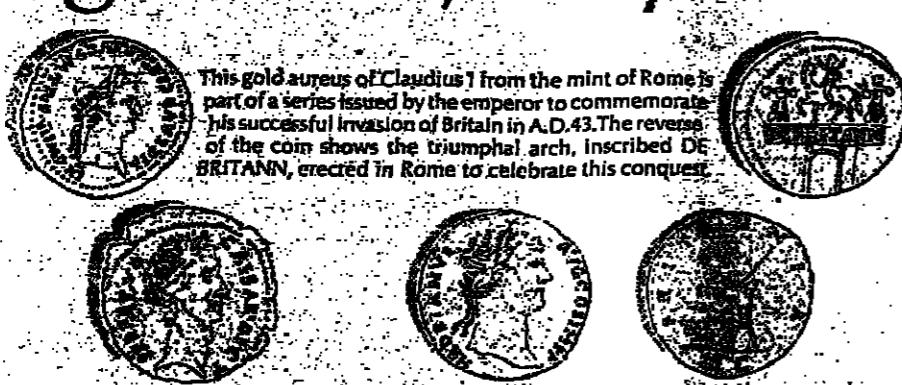
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Vatican's influence

THE MANAGEMENT style, if you like, of Italy's powerful Communist Party is based on the concept of "democratic centralism." This, rather loosely described, means that everyone in the party can have a say in the debate over policy, but all dissent must cease when actual policy has been formulated. At that point the debate is ended, and there really are few observers of the Italian Communist scene who actually know what goes on thereafter in the higher echelons of the *Botteghe Oscure*, the Rome headquarters of the party. But some words do emerge from time to time, apart, of course, from speeches and writings by top leaders, and one such word concerns Sig. Giulio Andreotti, the present Christian Democrat Prime Minister. The word is, and indeed has been for some considerable time, that Andreotti is a man with whom we might be able to make that mistake.

Sig. Enrico Berlinguer, the Communist Party leader, may not be a practising Catholic, although incidentally his wife is, but he certainly does not underestimate the influence of the Vatican, and his party goes to considerable pains not to clash with the church. Italy is still a nation of Roman Catholics, albeit with more than one-third of the electorate voting for the Communist Party, and Sig. Berlinguer for one has no interest in pointing up any ambiguities. Ugo Cardinal Poletti, the papal Vicar of Rome, did, however, at the time of the last General Election, emphasise the "incompatibility between Christianity and Marxism," but the Communist leadership offered nothing in reply.

When during the Divorce Referendum the Christian Democrats were at pains to insist that the late Alcide De Gasperi, who headed eight post-war governments, the young Andreotti almost daily reported on the affairs of state to a somewhat older Vatican diplomat by the name of Giovanni Battista Montini, later to become an Under-Secretary of the Vatican state and now Pope Paul VI. In the highly selective cloisters of the Vatican, Andreotti to-day is referred to as a member of the "family," and that in Vatican terms has a special and exclusive meaning. It is no mean Mayor of the "eternal city,"

CONTINUED ON NEXT PAGE

a
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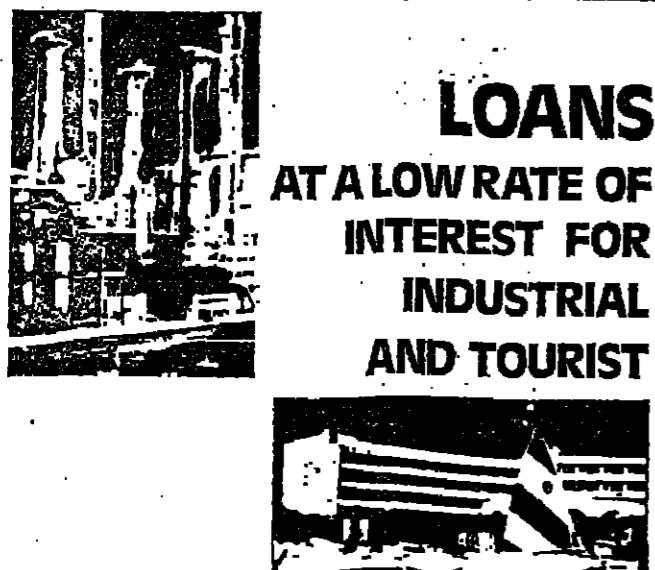
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SPRINGTIME IN Rome. The over the price of their cocktails. air-conditioned tourist buses are beginning to cause chaos in the particularly come to Italy to narrow streets. The first strawberries are out on the market stalls alongside bunches of asparagus and huge artichokes.

Gucci is crawling with Japanese and nuns are beating up and down the broad steps of St. Peter's.

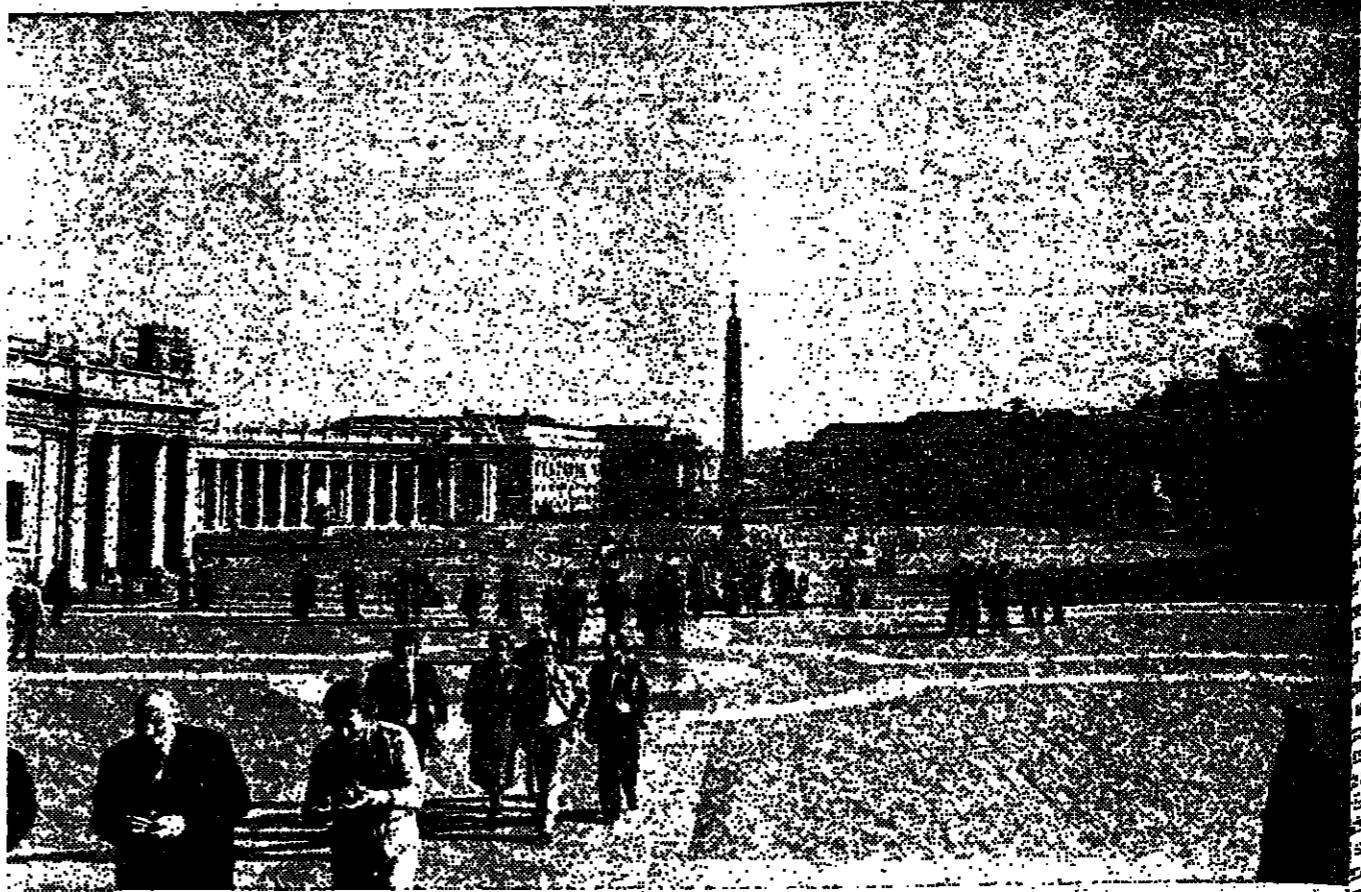
Again, despite the economic crisis and the alarming reports of a rising crime rate due in part to the continuing political climate of uncertainty, the tourists are pouring into Rome and the rest of the country. Those arriving on package tours face the usual problems of no hotel bookings, no hot water and no continental breakfast. Those, instead, who descend on the grand hotels mostly owned by the financially troubled holding company, IRI, grumble.

In another seaside resort, a busload of tourists were seen suffering from food poisoning while walking on the promenade after eating the local sea-food.

In spite of all this, or perhaps as a result of all this, tourism makes a major contribution to the country's balance of payments. More than 36m tourists visited Italy last year, an increase of 6 per cent. on the previous year which was, incidentally, "Holy Year"—the Vatican spiritual and commercial happening which takes place every 25 years and draws millions of Roman Catholics from all over the world to the Holy City. The tourist industry itself earned L.2,800bn. last year compared to L.1,690bn. in 1975. It generated L.2,101bn. in foreign exchange—an increase of 24.8 per cent. on the year before—and which, after the L.588bn. Italians spent abroad last year, left a profit of L.1,513bn. or an increase of 51 per cent. on the 1975 surplus. This was largely the result of a reduction of some 14 per cent. on the amount Italians spent abroad in 1975.

With nearly 4m tourist beds, Italy has the largest tourism infrastructure in Europe. It has in effect two tourist seasons. One mainly for skiing enthusiasts in winter, the other in summer based on the simple "sand, sea and sun" formula. Between seasons, of course, there are the tourists who do the grand tour and the sight-seers.

The winter season is a fairly recent phenomenon and effectively dates back to the ski boom in Italy of the 1960s when scores of small mountain villages were



St. Peter's Square, Rome.

transformed into winter sports resorts. There were, of course, the traditional ski resorts like Cortina or Courmayeur. But the new ones mushroomed as a result not only of the rise in living standards in Italy but also for the summer months. The islands of Lipari, Vulcano and Stromboli, between Naples and Sicilia, which until recently were predominantly farmed by Italian holidaymakers, are now foreign skiing enthusiasts from their home piste to the nearby tracks in the Italian side of the Alps or the Dolomites.

It is the West Germans, in fact, who represent in numbers for Italy's tourist trade the biggest customers. And this perhaps explains why the northern provinces of Trentino, Veneto and Emilia-Romagna are at the heart of the tourist industry. The other regions, in terms of tourist popularity, are Lazio (or the Rome region), Tuscany, Lombardy, Campania and Sicily.

Although the industry as a whole is concentrated in the north of the country with the highly developed and cramped seaside resorts of the Adriatic and those of the so-called Riviera Dei Fiori stretching from Genoa to the French border, it is gradually spreading its former appeal as a result of

Seasons

In the deep south of the country, tourism is developing more slowly. It is coming into conflict with the policy of industrialisation which threatens to spoil areas of great natural beauty. The infrastructures are still inadequate for the sort of mass tourist penetration, peculiar to the north of the country.

Yet this very lack of facilities has drawn an increasing number of visitors in search of an alternative to the conventional seaside resort which, in Italy, has to a large measure lost some of

Vatican

CONTINUED FROM PREVIOUS PAGE

any impression of a bishops and more than 400,000 torate does in the future have "showdown with the Pope," as priests. In a clear choice between the Com indeed is the Mayor himself. But, of course, it is much more munists and a modern, secular Sig. Giulio Carlo Argan. The than a mere numbers game, political party which is free of Italian Communists, unlike Some political parties, and prin Stalin perhaps do know just cipally the smaller ones, occ how many regiments the sionally make play of the need for the separation of Church and State, and indeed so it also part of Vatican strategy

The winter certainly are much less active these days, but the should be, and the current study to even positively encourage a Vatican influence remains strong. It is not just the con church-state concordat will, to a

unusual moral authority of the very large extent, make it con

Pope, although that too is constitutionally so. However, that

there, nor is it an influence will not necessarily remove the stemmin

Vatican's authority or reduce its

commercial investments, since influence in Italian life, and

very many of these have now the church itself is anxious to

been transferred out of Italy to

(principally) either the United States or Switzerland; in the former it is concentrated to a vide some answers, but the

Vatican's influence in Italy is

in a sense, just there, known to

be there and in a way felt with

our always being tangible.

Aware

The Communists certainly understand the position, and they are also very aware that Vatican has (and indeed is continuing to) made its own arrangements with Communist Parties elsewhere, particularly in Eastern Europe on the broad basis of "political concessions for pastoral gains." The Church has recently effectively recognised the East German regime.

Flexibility has always been an attribute of the Roman Church.

The "enemy" is fought tooth and nail until he is actually inside

the walls, and then is the time for compromise. For the moment, Italy's Communists

have the task of convincing even

more of the electorate that the

Party is committed to democracy, to pluralism, to freedom,

including that of religion. A deliberate confrontation with the Vatican would be a bad start,

and both sides know it.

This is not to suggest that the Vatican accepts as inevitable the eventual arrival of the

Communists to Government. It

does not, in the sense that there

is a collective view, such as that

of the Italian Bishops' conference.

Indeed, the principal reason why there is now genuine pressure on the Christian

Democrats to reform is pre-

sumptuous that of any political

organisation in the country does

surpass that of any political

machine, what with some 300 wants to ensure that the elec-

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13/4

America debates renewed takeover wave

By STEWART FLEMING, New York Correspondent

SOME OF the biggest mergers acquisition of Burmah Oil's U.S. cluding the GE-Utah deal) in U.S. corporate history have oil interests by R. J. Reynolds, been completed during the tobacco concern for \$500m. past 18 months in spite of the and the purchase of a coal company. Carbon Industries, which increasing doubts among the politicians and the public about the wisdom of further concentration in important sectors of U.S. industry. The reservations have been exemplified on the one hand by new federal legislation, yet to be put into effect, requiring pre-notification and additional delays in the case of certain larger deals, and by more restrictive merger and securities laws in almost two dozen individual states on the other hand.

In spite of the manifest unease about mergers, stemming in part from the conglomerate fashion of the late 1960s, the list of multi-million dollar mergers of the past 18 months is a long one—so long, that it is stirring up renewed concern in Washington about the effectiveness of anti-trust policy.

In part at least this concern is based on a new assessment of merger activity, namely that it may be an alternative to capital investment and for that reason could prove as damaging to the economy as did the conglomerate merger boom before it.

The list of multi-million dollar mergers announced or completed during the past 14 years includes the biggest ever U.S. merger, the \$2bn. deal by which General Electric (U.S.)

the world's leading manufacturer of electrical equipment, acquired Utab-International, a multi-national corporation with important interests in coal, copper, and uranium mining. The list also includes the purchase by Mobil Oil, for close to \$300m., of a retail and packaging group, the total dollar value of these purchases, for \$700m., of Grimm logged 2,297 announced Anaconda, a leading copper producer, 84% of which named a and uranium producer; the dollar price, with the total (in

cluding the GE-Utah deal) coming to \$11.8bn. These figures give an indication of the trend, since Grimm bases its figures on

merger announcements which

may or may not be subsequently completed. But few people would argue with the overall conclusion that the figures accurately reflect a sharply increased merger activity.

Investment bankers remark upon the comparatively high proportion of transactions that were completed for cash. Other analysts draw attention to the wide range of industries affected, including publishing and engineering, but particularly the natural resource sectors of industry including mining and energy.

Inevitably the new merger wave is prompting comparisons with the conglomerate merger boom in the latter half of the 1960s. During that period men like Mr. Harold Geneen, of International Telephone and Telegraph, and Mr. Jimmy Ling, of Ling-Temco-Vought, fashioned their conglomerates. (Interestingly the chief executive of United Technologies, Mr. Harry Gray, was a senior executive with Litton Industries, another conglomerate, through part of its phase of expansion.)

But most observers argue that the differences between the mergers of the late 1960s and those of today are much more important than the superficial similarities.

One banker recently argued forcibly that it would be to mis-understand the times to compare the corporate empire building by exploiting shareholder greed in the late 1960s with the studied acquisitions of to-day. At that time, he suggests, companies were using shares which were highly rated for debt of dubious quality to make takeovers which produced



Mr. Harold Geneen, who in the 1960s made IT & T a byword for successful though not uncontroversial mergers.



Mr. Harry Gray, Chief Executive of United Technologies, wants control of Babcock and Wilcox.

spurious gains in earnings per share, rather than real improvements to profitability and efficiency.

The situation of the 1960s is contrasted with the greater number of "quality deals" completed for sound long-term commercial reasons to-day.

It is pointed out that to-day, even though companies do issue common stock for an acquisition, they will have weighed the options carefully. In late 1969, the Dow Jones Industrial Average, standing at 900 was around 14 times earnings. To-day, even with the index around the 900 mark, the index is at

only little over nine times earnings. In these circumstances shareholders who are increasingly yield conscious. To these companies see raising finance or paying for acquisitions with the climate of corporate merger activity to-day others can be added. Particularly in the natural resources field for example, it is possible to detect long-term strategic thinking in many of the acquisitions being made.

But this benign interpretation is not universal. The questioning starts from an analysis of one of the key reasons for the present mergers. At the current market will reinforce a company's own financial controls in judging the expenditure. If the company is rich in cash the expenditure has to be weighed against the assets of many companies are seriously under-

valued in comparison with their long-standing but ill-defined replacement cost. Under these circumstances the balance between expansion through new capital investment and expansion through acquisition is tilted heavily in favour of the latter. Expansion through new capital investment runs into all sorts of uncertainties. To start with there is the cost in an inflationary period, for many industries the delays and additional costs of meeting environmental requirements also must be taken into account. Corporations are more conscious, too, of the increased volatility and unpredictability of the economy, and less confident of long-term growth.

Significantly, Babcock and Wilcox in its efforts to fight off United Technologies bid is already playing to this political gallery and tapping the vein of suspicion surrounding corporate aggrandisement. Mr. George Ziff, Babcock's chairman, says that reduced competition in the energy equipment field in "this period of energy resources peril" would be beneficial to the public interest. In what can be interpreted as an indirect reference to United Technologies' diversification plans, Mr. Ziff has also said that the energy field is "no place for corporate buccaneering."

Then, with a nod in the direction of Washington's fears about corporate empire building, he wondered whether the United bid "will not contribute another blow to democratic capitalism."

His remarks can be interpreted as the usual rhetoric of takeover battles, but there seems little doubt that he has chosen some of his targets shrewdly. Wall Street stock brokers are beginning to suggest that United Technologies will have a tougher fight gaining control of Babcock than it did in its long fought battle for control of Otis Elevator. There are also stirrings on Capitol Hill which suggest that the whole issue of mergers and takeovers is once again beginning to exert

else the minds of legislators.

Letters to the Editor

Index-linked pensions

From Mr. D. Thomas.

Sir.—In the growing note of disquiet at the index-linking of pensions of public servants, it may be as well for us to reflect that after April, 1978, earnings-related state pensions will be increased regularly during payment in line with increases in prices. Moreover the basic state pension will increase each year in line with the greater of the annual movement in the general level of earnings or the rise in prices.

In light of the real prospect of an explosion in both prices and incomes which may occur when the current pay restraint legislation ends this summer, it does seem possible that once again pensions legislation could be thrown back into the "melting pot." Because state pensions are not entirely funded one could argue that future generations may be unwilling to provide the necessary resources to support the levels of payment that could follow a breach in the dam of pay restraint and add fuel to the boil in attacking to those enlightened (?) politicians on both sides of the House who have formulated their economic programme on the back of so-called incomes policy—the demise of which in its present form is in prospect as pay differentials have become eroded.

Obviously prices and incomes cannot be allowed to "rip" but more enlightened and imaginative proposals are now required if we are to head off serious economic difficulties.

D. E. Thomas.
15, Berkeley Street, W.1.

Driving hours

From Mr. B. Gill.

Sir.—In response to Mr. Quin's legalistic corrections (April 4) to my observations (March 31) about the EEC hours law and its effect upon the operation of buses, I plead guilty. Mr. Quin is quite right in that the U.K. has just obtained its fourth amendment of the EEC hours law which it adopted when the Treaty of Accession was signed. The defences were granted on the understanding that the U.K. would use the time thus made available to prepare for the eight hour driving day. The fact that Mr. Quin appears to have no intention of using the time in the manner expected is as near to flouting the will of the European Commission as no master.

Mr. Quin is also correct when he says that the hours law regulation 543/69 only exempts regular services operating within a 50 km radius of base. Of course the tachograph regulation 165/70 from which all passenger service vehicles on regular services are exempted. It is also this regulation which is being flouted by the U.K. Government—this time in both the air and the sea.

Mr. Quin, however, appears to have missed the point. He omitted to mention a vital fact which is that a significant part of the population of public service vehicles is not "caught" by EEC drivers hours regulations. I repeat that the section would be "caught" by the regulations in general is that part which is under greatest pressure to drive over long periods of time. The remainder of Mr. Quin's argument seems to be a series of un-substantiated claims of the that caused me to be critical of the first place of the anti-transport policy views put forward by sectional interests in U.K. I'll leave the "civilian" combatants readers to judge themselves.

Preference votes

From The Director, Electoral Reform Society.

Sir.—It is to be hoped that France will not simply return to the pure party list proportional system used between 1945 and 1951 but will consider changing to the single transferable vote form of proportional representation.

The French parties devote an excessive amount of their time to negotiations aimed at forming alliances which they hope will secure a majority. Party list PR would reduce the need for this, since each party individually would be pretty fully substantiated, and Mr. Healey will claim yet another success.

Another instance of mismanagement of our affairs, then. But things are beginning to change.

The protagonists of export-led growth are beginning to retreat into their fastnesses at King's College and at the Department of Applied Economics at Cambridge. Among those who make our decisions for us there are not a great few who have begun to see that import substitution, with a stronger currency, does more for the balance of payments more quickly and helps to reduce inflation, the cost of living and unemployment than to sell more and more goods abroad for less and less money.

David Liss.
49, Dale Street, Chiswick, W.4.

Mr. Harris will reply that the rise in the money supply led to a fall in sterling. Why did it do this? Simply because so many people have been persuaded that short-term movements in the money supply are terribly important. Myths are potent if enough people believe in them; they are myths none the less.

The conclusion to be drawn from the movement of the money supply during the past year is quite simple. In the short term the demand for money is not stable; and it is a bad indicator.

It does not indicate the movement of money expenditure, or of prices, or of the pressure of demand. It is an absolute waste of time trying to make it follow a straight line; the short-term fluctuations should be ignored.

F. T. Blackaby.

2, Dean Trench Street,
Smith Square, S.W.1.

F. T. Blackaby.

Post-merger experience

From Dr. G. Meeks.

Sir.—May I take up one of the points raised in the letters arising from Geoffrey Owen's article on takeovers (March 24)? Mr. Stacey's letter of March 29 raises doubts over the interpretation of my research results referred to in that article. The results for some 200 merging companies show a disappointing profitability performance after merger, but Mr. Stacey suggests that, in so far as profitability was typically falling for the company sector as a whole in the period of my study, the decline observed for particular companies after merger may not after all be attributable to the activity of merging: maybe the companies in question would in any case have suffered a fall in profitability, even in their independent state—the more so if many of them happened to be concentrated in sectors of industry experiencing particularly steep decline.

In fact, however, this possibility was already taken into account in my study, where the decline in profitability was calculated after allowance for general and relative changes in the fortunes of the industry to which the merging companies belonged. The results still prompt scepticism over the gains from merger; for the average post-merger experience was of a deterioration in profitability, not a gain, and the industrial setting would seem to have warranted.

G. Meeks
Sidgwick Avenue,
Cambridge.

The money supply

From The Deputy Director, National Institute of Economic and Social Research.

Sir.—Mr. Harris's article on the money supply (April 6) shows what a muddle we get into once a target figure for the annual for 20 years that it might have been. Canny foreign investors have achieved un-dreamed-of yields in a currency

Redistribution of wealth

From Mr. S. Wancke.

Sir.—The trade unions are always talking about redistribution of wealth, yet when it hits them, as in the case of erosion of wage differentials, they do not like it at all.

S. W. Wancke.

Cherrington, Pilgrims Close,
Westhumble, Dorking, Surrey.

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COMPANY NEWS + COMMENT

Cosalt tops forecast with peak £1.25m.

ON TURNOVER some £5.6m. higher at £17.75m., pre-tax profits of Cosalt improved from £5.6m. to a record £1.25m. for the 53 weeks ended January 2, 1977.

At mid-year, when reporting an increase from £13,000 to £669,000, the directors forecast full-year profits in excess of £1m.

They now say that the improved level of demand referred to in the interim statement continued through the second half, enabling all the factories, in both the ships chandlery and caravan divisions, to work more efficiently.

Exports from both these divisions were much higher than in 1975, giving a new group record of £5.12m. (£3.29m.). Sales to oil-related outlets also increased to over £1.5m.

The refrigeration and air conditioning division also contributed record sales and profits and there is every indication that this improvement will continue, members are told.

Sales in all the trading divisions have continued to increase and forward demand is such that improved results for the current year can be expected.

Earnings are shown to be up from 4.7p to 13.27p per 25p share and the dividend total is lifted from 2.5031p to the maximum permitted 2.7534p net with a final of over £1.5m.

Tax absorbs £563,000 (£37,000) of which some £380,000 will be deferred. In the final account the directors intend to write off the item of goodwill in the balance sheet totalling £65,101.

	1976	1975
Turnover	£17.75m.	£12.15m.
Ships chandlery, etc.	9,428	7,342
Caravans	1,191	1,024
Finance	7,150	4,438
Profit	£45	£34
Total	£17.75m.	£12.15m.
Less dividends, etc.	64	23
Caravans	602	138
Finance	291	243
Dividend per share	2.7534p	2.5031p
Tax	2.7534p	2.5031p
Net profit	£380,000	£37,000
Extraordinary debits	520	127
Preference dividends	14	24
Ordinary dividends	129	106
Balance	£46	£45
Including exports £1.52m.	(£3.29m.)	

£

Progress at Cohen Bros.

Almost all product groups in the container division contributed to the higher turnover and profits. Demand for steel drums rose faster and earlier than expected and the early months are remained high throughout the year.

A statement of source and application of funds shows an increase in working capital of £1.7m.

Meeting, Connaught Rooms, W.C. on April 29 at noon.

Scottish Provident progress

THE LONG-TERM insurance funds of Scottish Provident Institution increased by £52m. in 1976 to £216m. by the end of the year. Premium income jumped £4m. to £7m. and investment income rose by £2.5m. to £21m. Claims cost marginally more at £7m., while expenses and commissions paid were slightly £1.4m. to £7m.

During the year, new annual premiums on individual life assurance contracts advanced 12 per cent to £1.2m. and by 39 per cent to £1.7m. on individual annuity policies.

During the year, the company invested a net amount of £5.5m. in fixed interest securities, of which £7m. was invested late in the year prior to the sharp rally that took place in the gilt market. Some £5m. was invested in U.K. equities, but the overall increase in the equity portfolio was modified by sales of overseas stocks. A further £3.8m. was invested in property, of which half was in the Republic of Ireland.

By the end of 1976, the company was fully invested, having taken the view that some measure of stability would return in the exchange rate and the arrival of North Sea oil in quantity would provide the opportunity to improve the balance between the public and private sectors of the economy.

Mr. M. D. Pentland, the chairman, attacks the proposals to nationalise the clearing banks and insurance companies which he classes as both irresponsible and irrelevant. Life companies, he claims, are responsible long-term investors not short-term speculators. He hopes that the Committee of Inquiry under Sir Harold Wilson would be regarded as an

Statement Page 11

Mackinnon EGM fixed for April 29

A further EGM for April 29 has been called by Mackinnon of Scotland to consider the three special resolutions concerning the borrowing powers and amendments to the rights of the Preference holders.

In regard to the latter, it is proposed to increase the dividend rate from 3½ per cent to 7½ per cent without any tax deduction, and to bring forward the redemption dates by three years from 1983-85 to 1980-82.

The opportunity has also been taken to propose some minor amendments to the Articles to bring them up to date. The directors recommend shareholders to vote in favour of all three special resolutions and intend to do so in respect of their own holdings.

In terms of the Articles, a separate meeting of the Preference shareholders is also required and this will also be held on April 29.

Statement Page 11

Schroders begins well

IN HIS annual statement Mr. Michael J. Verey, chairman of Schroders tells members that the current year has started well.

As already reported, available profit for 1976 totalled £6.5m.

Excellent results were achieved in Switzerland, Australia and Hong Kong, but the group's associated company, Property Holdings International was faced with difficulties.

The group has expanded its interests overseas into Belgium, Saudi Arabia and Singapore.

Notwithstanding the generally low level of loan demand in the commercial banking sector, earnings from the group's operations in the U.S. improved significantly over the 1975 levels. The improvement arose from increased revenues from virtually all service activities and from higher security profits.

The chairman points out that large exchange translation surpluses which arose were exceptional and will not arise in future years unless there is a further significant fall in the value of the pound sterling against the U.S. dollar and the Swiss franc.

He feels that any significant improvement in the outlook for development at Property Holdings International, a company held jointly by Schroders and Lend Lease Corp. of Australia, is unlikely until there is a more general recovery in the U.S. economy; even then it may be some time before the effects flow through to P.H.I.'s results. Accordingly a further loss in 1977 is to be expected. In view of this outlook all P.H.I.'s projects have been reviewed and a provision has been raised in the Schroder Group accounts additional to the provisions incorporated in the accounts of P.H.I.

Since the end of the year Mr. James Walfensohn has resigned as deputy chairman. The Board is recommending for appointment at the AGM an ex gratia payment of US \$100,000 to Mr. Walfensohn.

Mr. Verey is to retire and the Board of Airlie take his place as Chairman.

The consolidated balance sheet at December 31 shows deposit and other accounts, including inner reserves and provisions for tax, of £800.51m., (£663.82m.), loans, advances and other accounts £485.31m. (£320.49m.) and total assets of £1,005.89m. (£547.84m.).

On March 12, 1977, three persons

Statement Page 34

The Financial Times Wednesday April 13 1977

Booker McConnell sees more growth

Relieved of the risks of tropical agriculture and the other uncertainties of Guyana, Booker McConnell can concentrate on the growth of its existing businesses. Sir George Bishop, the chairman, says in his annual statement: "The greater part of profit increase is expected from the distribution and from the turnaround in the general engineering division, but all divisions should do well in the current year."

Further capital commitments at year-end stood at £14.82m. (£1.07m.) including £12.05m. of shares in Kinloch (Provis Merchants), and expenditure authorised but not committed stood at £7.63m. (£6.8m.).

An analysis of turnover at profit in £m. shows: UK 3.42 (288.0), 11.261 (11.779); Afric 10.3 (8.9), 1.153 (10.14); Brazil 2 (2.0), 0.95 (37.3); Caribbean 1.52, 2.005 (4.68); Other 1 (nil), loss 30 (nil).

Meeting, London Chamber of Commerce and Industry, EC, May 5 at noon.

comment

After write-offs of £5.5m. making a maximum total of £5.78m. have been announced. But the directors say that as a conditional reduction in the rate of income tax for 1977-78 has been proposed in the recent Budget, if the issue is resolved before the AGM on May 5, the dividend will be amended to the higher amount permissible of £3.52c. If the issue is not resolved by then a second interim of 3.42c, payable on July 1, 1977, will be declared instead.

At year-end there was a write-down on the Guyana investment of £7.24m., including £1.21m. as an extraordinary item through the profit and loss account. An addition of £1.64m. from profits retained in the continuing group, together with £1.86m. new equity finance from Central Wagon and some minor share issues, has restored net worth to £51.76m. (£50.6m.).

Short-term deposits at December 31, 1976, amounted to £12.5m. (£1.6m.) and there is an undrawn loan facility of £1m. from a long-term loan facility and the proceeds of a £1m. five-year bank loan drawn early in 1977. The directors say they are thus confident of adequate finance to carry through expansion in 1977 both internally and by outside acquisitions.

A net loss was shown by the general engineering division of £0.56m. (profit £0.94m.), because of a write-down on September 30 of each year.

Thereafter, accounts will be prepared annually on September 30 of each year.

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Jobs in textiles: another endangered species.

A statement from Burlington Industries.

We have become increasingly alarmed over the rising tide of textile and apparel products entering this country from abroad that threatens ultimately to drown a major segment of the U.S. textile and apparel industry and all those who derive their livelihood from it.

The U.S. government has so far apparently failed to grasp the scope of this problem and is even now preparing to negotiate new trade agreements that will assure continuation of the process of foreign takeover of a major U.S. market.

We cannot stand silently watching our own industry's decline. We are therefore compelled to speak out publicly to alert all those who are affected by this danger — employees, shareholders, suppliers, legislators, customers, and friends in the communities where we operate. We must all understand the problem, its genesis and its current and potential impact. For failure to solve it by making major changes in the Multi-Fiber trade agreement could very well cripple major segments of two of America's most important industries.

The textile/apparel import trade agreements under the Multi-Fiber Arrangement have been in effect between the U.S. and various foreign governments for a number of years. The goal of these agreements was to permit the level of import growth to be limited in the event of market disruption. But, in any event, growth from levels established several years ago was to be permitted on a compounding basis at the rate of 6 percent per year.

It was predicted that such a growth rate could be readily absorbed by the U.S. market without causing any adverse effect on U.S. manufacturers. The record shows that these agreements have failed to achieve the original objective. We are seeing massive market disruption in the U.S. textile and apparel industries because of mushrooming growth of imports which has caused extensive damage to member companies and their employees. The potential for the destruction of the entire apparel industry and related segments in textiles, should this pattern of increase continue, cannot be overestimated.

The textile industry is not alone in facing this problem. One need only look at the present sorry state of the U.S. radio/television receiver and shoe industries, whose viability has been effectively destroyed by imports, to see the bleak prospects for textiles and apparel — employers of 2.3 million people. Threatened, too, are jobs among suppliers of fibers, chemicals, paper products and machinery.

In the past 10 years, textile imports have grown at an average rate of 5.5 percent a year, or a total of 71 percent. In comparison the U.S. market grew only 2.5 percent per year and 28 percent overall. In 1976 alone, textile imports increased 34 percent over the previous year, while the total domestic market grew only 11 percent. As a result, foreign imports have now

captured a record 10.4 percent of the entire domestic market. Of even more concern is the fact that apparel fabric and garment imports have now captured 17 percent of the market.

Looking ahead, the entire U.S. market is projected to remain at or below a 3 percent growth rate for the next several years. On the other hand, we can conservatively estimate an import growth of 8 percent per year when one adds to the historical 10 year average new entrants and the built-in bonuses to countries with which the U.S. negotiates new bilateral agreements. Based on an 8 percent growth rate by 1985 imports will have captured more than 20 percent of the entire textile market and in apparel related products would hold more than 40 percent.

Thus, we are deeply concerned over the long-term impact of this annual increase in textile imports, the level of which has no relationship to the actual growth of the U.S. market or its ability to absorb imports without driving out domestically manufactured products and causing massive industry unemployment.

We are told that there are consumer benefits to be derived from "cheap" foreign imports. These are illusory. The suggestion that they exist is causing the public and government to ignore the long-term dangers posed by these imports—widespread textile and apparel unemployment; loss of shareholder investments; the negative impact on the GNP; continued negative balance of trade which for textiles alone in 1976 reached \$3 billion; and the potential destruction of two of this nation's most important industries.

Adding to the difficulties the U.S. based textile industry faces today is the need to spend substantial sums and increase costs to clean up the environment and establish better safety and health conditions. These trends are in sharp contrast to the direct and indirect subsidies which are often offered by foreign governments to their own textile industries to encourage exports.

Of further great concern to us is the potential for the United States to become completely dependent on foreign countries for essential textile products. This is true not only of apparel for our people, but of basic industrial textile products that are used in the rubber, computer, aerospace and defense industries. We have only to look today at our almost complete dependence on foreign oil, and the prices we pay for that commodity, to see what a future based on foreign dependency could hold for us.

Yes, we must keep goods flowing between nations. But we must also find a fair and equitable formula for the admission of imports—one that will not sacrifice this nation's textile and apparel industries.

There is also a fundamental question as to who actually gains from the lower cost of labour under which most imported textile products are manufactured. The wage rates in less de-

veloped nations — from where most textile imports arrive — usually run between 25¢ and 50¢ per hour compared with the Burlington Industries average of \$4.07 per hour.

Should American workers now be forced to subsidize foreign workers with their jobs? Absolutely not. Let us remember, too, that American workers are also consumers. As unemployed workers, they will no longer make a contribution to our economy, but will require public assistance and go off the tax rolls. In the long run, we will all—employees, corporations, shareholders and consumers—be forced to pay for this.

We are not suggesting that imports of textile products be stopped. Only that they be required to meet tests of fairness and need.

Thus, we are saying that this country's leaders must take a long, hard look at the Multi-Fiber trade agreement as it stands now and amend it to correct the inequities that have become so clear.

Specifically, we have made two proposals to amend the MFA:

1. Textile and apparel imports must **not** grow at a rate greater than that of the domestic market.
 2. A mechanism must be established for timely monitoring of the levels of specific import categories. And where such imports severely impact the industry, no overall quota growth would be allowed in the next year.

These two basic proposals encompass the points which have been variously endorsed by other representatives of the textile and apparel industry, and also by more than 225 Congressmen who have recognized this serious threat to the textile/apparel industry.

To preserve a viable domestic textile/apparel industry, the executive branch of our government must commit itself to negotiate a more effective Multi-Fiber Arrangement and bilateral agreements in such form as to curtail immediately the increasing injury to the domestic textile/apparel industry, with its consequent loss of jobs.

Some 2.3 million such jobs are at stake in this import question, 12 percent of all manufacturing jobs in this country. Twenty-three percent of those 2.3 million jobs are filled by minorities and 65 percent of them are filled by women. It is difficult to understand why we are so concerned about countries that become havens for American importers and foreign manufacturers who exploit cheap labor at the expense of our own U.S. labor force and industry. **We are deluding ourselves if we believe the MFA as it now stands is really giving us anything except the progressive export of American jobs.**

We trust our government will now proceed with wisdom and profound concern for the 2,300,000 textile/apparel workers in America who want to keep their jobs and their dignity.

Burlington Industries

3330 West Friendly Avenue, Greensboro, N.C. 27420

Robin Burton looks at fisheries research in the Antarctic

The hunting of the krill



Krill in a midwater trawl on the deck of the West German research trawler Walther Herwig.

THE BRITISH Antarctic Survey, headed by Dr. Richard Laws, is to increase its research work into offshore resources in Antarctica such as deep sea fish stocks and krill, the shrimp-like organism engaging the interest of scientists.

There is now growing awareness that there is considerable wealth locked up in Antarctica in the shape of coal, oil and minerals, but some doubt that this can be extracted without significant advances in technology, which will take time. In the meantime, however, it has become increasingly obvious that there will be development of various types of fisheries and the British scientists, who have long been involved in Antarctic research, want to be in a strong position to argue conservation measures before this occurs.

Potential

The Antarctic Peninsula region, which projects towards South America, is regarded as being a particularly interesting area and was formerly of great significance to the South Atlantic whaling industry. According to Dr. Laws, "it is now abundantly clear that it is the key area for Antarctic science. This is also considered to be the area with the greatest economic potential and the best way for Britain to retain a stake in these resources is to maintain a substantial scientific programme."

The U.S. Geological Survey estimate suggests that there may well be more oil in Antarctica than in the whole of North America. The research ship Glomar Challenger found evidence of gas deposits, but for various reasons Dr. Laws feels that it is better to consider more easily attainable riches in the form of krill and fish. This view is reinforced by the results of recent research carried out by the West German research ships Walther Herwig and Weser.

The first big West German attempt to look into the possibilities of harvesting the tiny crustaceans known as krill ended last June, when the research trawler Walther Herwig docked at Bremerhaven with krill as the last ten years have

seen a fair amount of activity of commercial importance in a Wesser after an eight-month exploratory voyage to Antarctica. Russia has been evaluating krill grounds. The ships had worked in the as a food and several "krill pastes" are on sale in Moscow. Georgia and the South Orkney although they are not a commercial success as yet. It is the Peninsula and in the Weddell thought that Japan will soon be travelling "commercial" having undertaken further eastwards to the waters taken several exploratory between South Georgia and voyages.

On the basis of German sources available.

The Antarctic is of course still under the umbrella of the Antarctic Treaty which was signed in 1959 and designed to last 30 years, during which time

there would be peaceful collaboration between the various countries which signed it. The U.S., Russia, South Africa, Britain, New Zealand, Australia, France and Japan all have their own special interests there so it can be expected that the treaty will soon be under strain, especially as Argentina and Chile are making rumbling noises about their "territorial rights." Dr. Laws says "we feel very strongly that in the next 10 years there is likely to be massive exploitation. This could have a lot of implications with regard to the Law of the Sea Conference and the proposed International Seabed Authority."

Abundance

It seems possible, on the basis of present knowledge, that a krill "fishery" could maintain an annual catch of perhaps 50m. tons and there are abundant stocks in the areas open to shipping. There are also other stocks of fish which could prove

All of these notes having been sold, this announcement appears as a matter of record only.

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United Kingdom, New Zealand,
France and Japan's own special interests
can be expected
treaty will soon be
especially as Argentina
are making
claims about their
rights. Dr. Lawton
very strongly that
years there is little
exploitation. It
has a lot of impact
regard to the law
Conference and
posed International
Authority.

SCOTTISH PROVIDENT

Strong upward trend very encouraging

Points from the Statement by the Chairman,
Mr. M. D. Pentland, C.A.

New business

The distinguishing feature of our new business figures for 1976 was the strong upward trend in ordinary annual premium income. Total new annual premiums in respect of individual life assurance contracts increased by 12% to £3,267,000 while those for individual annuity contracts increased by 39% to £1,667,000. Ordinary single premiums have also increased (by 50% overall) and there have been corresponding increases in prospective benefits secured. These figures are very encouraging, especially when one recalls the uncertain economic background which prevailed throughout the past year, and once again I would thank all our agents on whose support we depend to produce such satisfactory results.

Nationalisation proposals

The irrelevance and irresponsibility of the proposals to nationalise the "big four" clearing banks and seven large insurance companies have already been the subject of widespread comment. As far as life assurance is concerned, policyholders are only too well aware that nationalisation of the business or even direction of our investment would have a distinctly adverse effect both on the profitability of the policies in which they have invested their savings and on the vitality of the national economy as a whole.

It cannot be too often stated that life offices are responsible long-term investors, not short-term speculators. Subject to the requirement to act as trustees of their policyholders' savings, they have always been ready to make funds available for industrial expansion, but the initiative must lie with the directors of industrial companies who alone

have the technical and commercial knowledge to decide whether the raising of funds for capital investment is likely to be profitable. These companies have frequently felt unable to justify in commercial terms paying the high rates of interest necessary to compete with those offered by the U.K. Government in the course of funding its exceptionally large borrowing requirement. The re-equipment of industry is of vital interest to us all, and the financial institutions remain ready to play their part, but others have to play their parts too—industrial companies, their employees, trade unions, the Government.

Agents' commission

During the year members of the Associated Scottish Life Offices and the Life Offices' Association entered into a new agreement in respect of agents' commission under which all commission will be related to the amount of premiums under a policy instead of to benefits, as in some cases in the past. This is a very significant step towards providing genuine and effective consumer protection. The aim has been to ensure as far as possible that the amount of commission payable would not be a factor which might influence the type of policy or the life office recommended by an intermediary. The great majority of life offices operating in the U.K. now subscribe to this agreement which is widely regarded as being in the best interests of everyone involved in the life assurance industry as well as of the insuring public.

We have now entered the third year of our current triennium and we look forward with confidence to the results of the triennial valuation as at the end of the year—confidence which the Directors have already marked by increasing the rates of ordinary interim bonuses above those declared for the last triennium.

Copies of the Report & Accounts are available on request from the Head Office,
The Scottish Provident Institution, 6 St. Andrew Square, Edinburgh EH2 2YA.

AP Cement chief sees successful future

IN HIS annual statement, Mr. J. A. F. Bling, the chairman of Associated Portland Cement Manufacturers, says that the group is very much alive and well. The construction industry is in a recession, particularly in the U.K., he tells members, "but these cycles have occurred in the past" and we shall pull out of this one in due course.

He reports that 1976 was a difficult year in many ways, "but with the excellent spirit there is throughout the group I feel hopeful that we have got ourselves on a path to a successful future."

As reported on March 23, pre-tax profits rose from £29.4m. to £42.4m. in 1976, on turnover of £260m. Stated earnings were lifted from 18.8p to 22.8p per share, and the dividend total is 8.3044p (7.8044p net).

An analysis of turnover and associate company overseas trading profits—£11.6m. (£24.2m.) shows: Parent company £20.2m. (£17.8m.) and £10.4m. (£21.1m.) home subsidiaries; £10.4m. (£11.2m.); Australia 11.2m. (£8.6m.); Australia 11.2m. (£11.2m.); Africa 11.2m. (£10.2m.); and 11.2m. (£8.8m.); elsewhere 11.2m. (£10.2m.) and 11.2m. (£11.2m.).

In current cost terms trading profits are shown at £29.4m. (£25.1m.) and pre-tax profits at £30m. (£24.7m.).

Capital expenditure came to £14.4m. for 1976 (£13.9m.) with £12.0m. (£10.0m.) in the U.K. Capital commitments at the year end stood at £18.2m. (£19.2m.) with £16.5m. (£18.0m.) for the U.K.

A statement of source and application of funds shows an increase in net liquid funds of £15.4m. (£12.5m.).

In his review of 1976, Mr. Bling states that total demand for cement in the U.K. fell by 8 per cent. during 1976 and cement deliveries also fell, from 10.5m. tonnes in 1975 to 9.5m. tonnes.

As demand continued to decline in the U.K. market and costs continued to increase, the Board decided early in 1976 that it was essential to reduce surplus capacity in order to maintain the long-term viability of the company. After consultation with the unions involved it was decided

that they are pursuing a cautious policy, due to the danger of renewed inflation.

See Lex

American Trust looks to the U.S.

AS THE potential of U.S. equities seems stronger than that of other markets, American Trust Company is continuing with the investment of a large part of its portfolio in that country, say the directors.

As regards the U.K. they state that they are pursuing a cautious

policy, due to the danger of renewed inflation.

Properties were retained as at December 31, 1976 and amounted to £12m.

Meeting, Waldorf Hotel, W.C. on April 28 at 12.15

Mr. John V. Clay, chairman, in his annual statement:

As already reported, revenue available for the year to January 31, 1977 advanced from £788,618 to £883,375 and earnings per share from 11.246p to 11.15p.

Statement Page 38

IN THE annual report of Pye Holdings, whose only significant asset is Pye of Cambridge, the chairman of both companies, Lord Thorneycroft, says that the medium and longer term outlook will be materially influenced by the decision to be taken by shareholders on the proposals for restructuring the group with a view to concentrating its efforts mainly in the fields of professional electronics and specialised components.

In the shorter term the increased order intake in the second half of 1976 is an encouraging sign but uncertain economic conditions still prevail. Against this background it is considered prudent not to forecast the result for 1977.

The reduction in the U.K. market particularly for video products in 1975 continued during 1976 and it is unlikely that the forecasted future demand will return to the levels of the early 1970s.

As already reported, sales for 1976 moved ahead from £6.6m. to £7.44m. and pre-tax profits rose from £1.01m. to £1.14m.

Mr. Clay reports that direct exports increased spontaneously and further steps are being made to improve this aspect of the business, not only on the Continent but also in North America.

Educational programmes in developing countries are also likely to provide a good market for textbooks, he adds.

The recession experienced in 1975 continued into 1976 and affected first half results but things picked up somewhat in the second half and full year results were better than was forecast at mid-year.

Capital expenditures during the year remained "substantial" at £18.000 but commitments are at a record level of some £50.000. The company continues to have a strong liquid position and the year produced some £126,000 of sterling.

Properties were retained as at December 31, 1976 and amounted to £12m.

Meeting, Waldorf Hotel, W.C. on April 28 at 12.15

BOARD MEETINGS

The following companies have notified dates of board meetings in the Stock Exchange. Such meetings are usually held for the purpose of considering dividends and other financial decisions and are open to other directors, managers and accountants or friends and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interiors—Adidas, Dovesend and Mills, Wade Pot, etc.

Finsbury-Armature Bros, Babcock and Wilcox, Blackwood Hodge, Henry Boot, Faraday Corp, J. J. Diversified, Dickinson, Gossage, Gossage, Gossage and Associates, Farm Prod, E. Fogarty, Anthony Gibbs, Glynn, S. Jerome, London and Provincial Power, Modern Engineers of Bristol, A. G. Stanley, Walkers, Beadle, etc.

FUTURE DATES

Interiors—Aldershot, April 27

Caplin Prods, April 28

Carroll, April 28

McDonald, April 28

Moorside (Travellers), April 28

Newman Glasser Industries, April 28

Wayne and Gillett, April 28

Alcan Industries, April 28

Automotive Products, April 28

Bellcast (Blackpool), April 28

Benzell Oil, April 28

City Chapman, April 28

Concannon, April 28

Diamond Investors, April 28

Emerson, April 28

Ford, April 28

Gilligan, April 28

Griffiths and Spender, April 28

Martin-Blair, April 28

Merivale, April 28

Whitton, April 28

Woolman, April 28

Sanderson (Glovers), April 28

Trotman (Carpets), April 28

Watkin, April 28

Export sales together with sales by overseas companies accounted for 50 per cent. of turnover.

Trading conditions improved in the second half and the group made a strong recovery.

It is believed that the order intake of those parts of the group will remain once the sale of the loss-making consumer side to the Philips parent goes through. Meanwhile, the 1976 return on capital employed rises by more than two-thirds to around 23 per cent., excluding the consumer activities.

At 17p, Pye has risen something like three-fifths over the past month—and the report and accounts for 1976 are not going to undermine this burst of relative strength. There are no earnings forecasts, but it is believed to be hopeful about the order intake of those parts of the group that will remain once the sale of the loss-making consumer side to the Philips parent goes through. Meanwhile, the 1976 return on capital employed rises by more than two-thirds to around 23 per cent., excluding the consumer activities.

An amount of £1.5m. was transferred to the profit and loss account from the two life branches and the fire and accident branch against £1.3m. in 1975. The total dividend is lifted by the maximum permissible amount to 7.2528p per share.

Mr. Smith refers to the difficulty in achieving sufficient growth in premium income to absorb the increase in expenses from inflation. The expense ratios in both life branches were higher in 1976 than the previous year despite strenuous efforts to economise. He also attacks the Building proposals on worker participation and the proposals for privatisation of insurance companies.

He finally criticises the new building regulations as being "ridiculous" and "unworkable" and the life premiums not of much use.

The administrative problems for the company were immense, especially in the industrial branch. The extra work generated was many times greater than the savings to the Inland Revenue.

Statement Page 34

Pye encouraged by order intake

second half produced a trading profit which at £13.2m. was more than three times the first-half figure and two-thirds higher than in the second half of 1975.

Order intake also showed a marked improvement. Full advantage was taken of the decline in the value of sterling to expand export业务. Export turnover for 1976 was £32.0m. as compared with £28.1m.—an increase of 13 per cent.

Increased trading profits in communications and broadcasting and in instrumentation and controls were offset by increased losses on consumer products and by reductions in research and development activities and overseas activities.

The average lower level of borrowing would have produced an even greater reduction in the charge but for the sharp increase in U.K. interest rates in the second half.

If current cost accounting had been in force, pre-tax profits would have been reduced from £13.2m. to £4.8m.

Meeting Hyde Park Hotel, S.W., on May 6 at 12.15 p.m.

● Comment

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Refuge Assurance invests in farming land

Mr. P. W. D. Smith, chairman of Refuge Assurance Company, reveals in his 1976 statement that total investment in agricultural land started to rise in 1975. The Ordinary and Industrial life branches rose by £1m. to £39.5m. and investment income by £3.6m. to £30.7m.

In the fire and accident branch, net premium income increased by 22 per cent. to £3.6m., but claims and expenses rose by 23 per cent. to £3.4m. Allowing for increase in unearned premiums the account rose by £120,000 against a small profit in 1975. Investment income jumped by £7.0m. to £38.000 and the account has a surplus of £118,000 the same as the previous year.

One main area of concern was the deterioration in the experience of employers' liability business which recorded a loss in 1976 of £58,000 compared with a modest profit in 1975. But Mr. Smith points out that remedial action was being taken.

However, the major part of the company's new investment in 1976 was made in the oilseed sector to the extent of some £8.5m. A further £3m. was invested

in equities and the total invested assets of the life funds increased by £1.1m. to £13.2m. Total premium income in 1976 in both

Good order position at Pittard Group

IN HIS ANNUAL statement, Mr. Pittard, chairman of leather of raw materials; in particular tanners and dyers, Pittard Group, almost doubled. British European says that the order position in all and North American footwear and group manufacturers were better than a year ago, although seriously affected by imports of all factories have some spare footwear and garments from capacity which it is hoped to utilise in the near future.

In the present international business climate it would be greater.

In addition, footwear manufacturers were adversely affected by the very long, dry, summer, but the order position has now substantially improved.

In 1976 it was possible to obtain additional leases for the remainder of the land (over five acres) and buildings of R. and A. Kohnstamm, Beckenham (previously leased).

Nevertheless, assuming that difficulties are not greater than in recent years there is reason to believe that results for the current year will be equal to or better than 1976.

As reported on March 18, the group achieved a record pre-tax profit of £1.75m. (£1m.) in 1976. Part of this is due to inflation in terms, profits have not been paid with the full increase in value of money since the group was formed in 1973. Higher profit will be necessary for the company to continue or increase its investment in order to remain one of the foremost leather producers of the world, he declares.

The dividend total is the maximum permitted 9.927 per cent (9.9 per cent).

Overseas sales showed an increase of £5m. (7.6 per cent) out of a total increase in sales of £4.5m. to £14.84m. Sales overseas were nearly £7.5m.

Great emphasis has been placed on the importance of exports over the years and efforts to improve export performance will continue.

Mr. Pittard says the year showed an unprecedented increase in the

Equity Income up midway

For the six months to February 28, 1977, Equity Income Trust reports revenue up from £29,344 to £26,212, subject to tax of £9,268 against £82,340. Net revenue for the last full year amounted to £19,152.

The net interim dividends is stated up from 2.40p to 2.6p per 50p share. Last year's final payment was 5.07p. The director's forecast a gross total of at least 12.5p (11.5p) for the current year.

Net asset value per share at February 28 was 182p (175p).

Midway dip at Ellis & McHardy

Reduced demand for all types of fuel, partly because of the severe winter, resulted in a slight decrease in pre-tax profit, from £123,307 down to £117,289, for solid fuel distributors, etc., Ellis and McHardy in the six months to January 31, 1977. Sales were £4.35m. against £3.82m.

Stated earnings per 25p share were 4.69p (4.94p). Last year a single net dividend of 2.455p was paid from profit of £0.21m.

In March £3.5m. was spent on two properties: an industrial unit in London and an office building in the City, both of which it is confidently anticipated

of will be let.

LAZARD PROPERTY UNIT

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MINING NEWS

RTZ comes to terms with Indonesia

By KENNETH MARSTON, MINING EDITOR

Possible wider expansion and accelerated depreciation schedules. There will also be duty-free imports of goods during the first five years of production.

Mr. RTZ, however, says that the Indonesian Government and RTZ have concluded a memorandum of understanding by which the Indonesian Government and RTZ will be liable to an export tax of 10 per cent on exports of mining work contract and mining equipment to estimate the amount to be paid at the end of this month.

A "windfall" tax also comes into the agreement. It will be levied at 12 per cent on profits averaged after normal tax and multiplied by 83, the latter figure being the price-earnings ratio accepted by both sides.

According to unofficial reports Falconbridge's share in the project will be 31 per cent and that it has tried to give RTZ stability for 30 years with fixed tax and royalties and has also tackled the problem of windfall taxes by a reasonably explicit formula. Its real worth, however, depends on the good fortune of miners in the years ahead.

Too many other countries have been tempted to change the rules after the game has begun and this is a major reason why new mining development throughout the world is being held up for want of finance.

It will be interesting to see how RTZ fares when the world needs to go to the capital market for an Indonesian discovery.

Indonesia also requires that at least 51 per cent of the shares in PT Rintan Indonesia be offered to the Indonesian Government or its institutions within three years of a start of mineral production. An offer of 3 per cent

royalties on production and land rent and other smaller tax concessions in the form of investment allowances

is considered. Mr. Alun Jones, Minister of Mines, has said:

"A 'windfall' tax also comes into the agreement. It will be levied at 12 per cent on profits averaged after normal tax and multiplied by 83, the latter figure being the price-earnings ratio accepted by both sides."

The formula rewards investors as hook up with the good fortune of miners in the years ahead.

The three-year spread of the windfall tax will tend to offset the tax effects of any sharp fluctuations in metal prices, which is more preferable to the group's tax on copper, coal and tin.

Falconbridge also plans to build a refining complex with an annual output capacity of 100,000 tonnes of copper.

It will be interesting to see how RTZ fares when the world needs to go to the capital market for an Indonesian discovery.

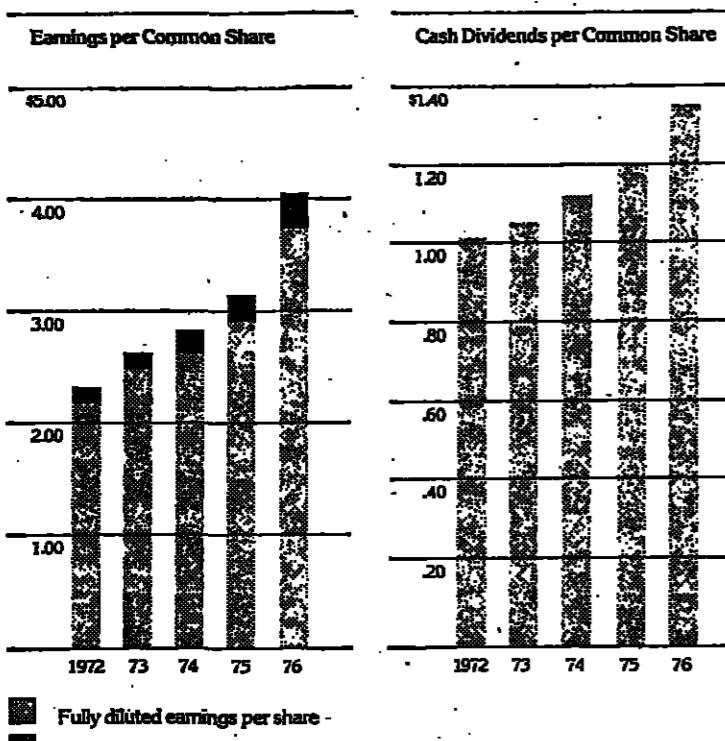
Having gone this far in reaching an agreement with the Indonesian Government, it would be surprising if RTZ does not already have a new mining venture in prospect there.

The Group expands and we acquired investment banking

REPORT TO INVESTORS from a company called TRW

TRW Reports Record 1976 Results

FINANCIAL HIGHLIGHTS (Dollar amounts in thousands except per share data)			
	1976	1975	% Change
Net Sales	\$ 2,282,014	\$ 2,065,663	13.3%
Earnings Before Income Taxes	\$ 242,139	\$ 184,305	31.4%
Net Earnings	\$ 133,063	\$ 103,899	28.1%
Percent to Average Shareholders' Investment	16.6%	14.3%	
Earnings Per Share			
Primary	\$ 4.05	\$ 3.08	31.5%
Fully Diluted	\$ 3.63	\$ 2.86	26.9%
Cash Dividends Paid	\$ 1.35	\$ 1.20	12.5%
Common Shares Outstanding	27,628,000	27,482,000	
Average and Equivalents	28,513,000	28,011,000	



TRW Inc., an international supplier of high technology products and services, reports record 1976 sales, earnings, and earnings per share.

For 1976, worldwide sales were \$2.93 billion, an increase of 13% over the previous year's \$2.59 billion. Net earnings reached \$133.1 million, a 28% gain over 1975's \$103.9 million. Earnings per share were \$4.05, exceeding 1975's record \$3.08 by more than 31%.

Over a year ago TRW announced new long-range financial objectives which were: a reduction of TRW's debt/equity ratio to 30/70; an average return on assets employed of 15%; a return on shareholders' equity of 20%; and continued dividend growth.

Progress in 1976 toward meeting these objectives demonstrated that the new objectives are reasonable and are attainable in the near future. During 1976, total debt was reduced by \$51.9 million so that the year ended with a debt/equity ratio of 31/69 as compared with 36/64 at the end of 1975. Return on assets employed improved from a corporate-wide average of 9.9% in 1975 to 12.0% in 1976. Return on shareholders' equity rose from 14.3% in 1975 to 16.6% in 1976. Dividends were increased to \$1.35 per share from \$1.20. The company's improved balance sheet and operating efficiency will enable it to focus even more strongly on the quality of operations and growth in 1977.

If you would like further information on TRW, please write for a copy of our 1976 annual report:

TRW Europe Inc.
25 St James's Street,
London SW1A 1HA.

**A COMPANY CALLED
TRW**

GRÄNGES' managing director, Mr. Johan Åkerman, expresses from Kr.79.5m. to Kr.131.4m. his conviction that the 1976 final report in the crisis-ridden turing of the Swedish steel industry foreshadowed in the Government Commissions, production of heavy steel plate at the Oxelösund works to be reduced to 500,000 tonnes a year compared with a capacity of 750,000 tonnes.

The group expects to be able to cut back its commitments in steel, its main problem area, in line with the recommendations of two Government commissions which have been investigating the Swedish steel and commercial steels industries. The new company constellations which are expected to emerge and in which Gränges would have only minority holdings, should give greater chances of survival in Mr. Åkerman's view.

The immediate 1977 prospects for Gränges are, however, bleak, involving production cuts, redundancies and lay-offs. In the bright spots are Gränges Aluminium, which raised its operating profit from Kr.8m. to Kr.53m. last year and expects a further improvement this year, and Gränges Metallverken, which manufactures copper and brass semi-fabrics, contributed Kr.53m. to operating income last year and hopes to do even better in 1977.

Mr. Åkerman points out that the group's indebtedness is not manifestly "overwhelming": its degree of solvency is more or less in line with that of other large Swedish concerns. But he adds, "normal" solvency is not enough for a concern so sensitive to business cycles and with a low capital yield.

The upward spiral in interest costs and amortisations, which have become far too heavy a burden for Gränges, has to be halted. The consequences will hit both employees and shareholders. Job security is threatened and the Board does not feel it can recommend a 1976 dividend. "Mr. Åkerman writes,

"As previously reported, Gränges made a pre-tax loss of Kr.295.5m. (\$39.5m.) on sales of Kr.538m. (£17.8m.) last year and a net loss of Kr.12m. The adjusted net loss comes out at Kr.19.50 a share, compared with earnings of Kr.50 in 1975 and as much as Kr.41 a share in 1974.

Gränges spent Kr.86m. on capital investments last year, a singularly large sum for a concern going through a deep recession, but it was forced to complete projects decided on years earlier. Stocks rose during the year by Kr.23.2m. to just over Kr.2bn. while short-term claims were up by Kr.165.8m. to just over Kr.810m. concerns bank loans. 13.1 to 13.5 per cent and the

This year sales are expected to grow by 13 per cent, and earnings at a slightly higher rate. Last year's sales of Kr.149m. represented a turnover growth of 17 per cent, of which only 5 per cent was due to price increases.

Foreign business grew by 24 per cent or nearly three times as fast as domestic sales and accounted for over 57 per cent of total turnover. Sales of the British, Dutch and West German subsidiaries increased by 35 per cent or more during 1976.

Most of the 12 per cent increase in Astra's earnings stemmed from operations outside Sweden, but the Kr.103m. (£13.7m.) pre-tax figure was below target, partly because of unforeseen currency losses of short-term debt rose by Kr.231m. to Kr.1.7bn., while long-term borrowings grew by as much as Kr.661m. to Kr.2.1bn. of which

The pre-tax return on total capital employed slipped from 13.1 to 13.5 per cent and the

reorganisation program is now well under way.

Its chairman, Mr. Allard Stikker, told a press conference on the publication of the annual report in Rotterdam that the idea was not that the State should take a share in the RSV share capital, but rather that it would issue special loans tied to certain conditions. He would not indicate the size of the assistance, which will be part of the giant Dutch Government-inspired restructuring scheme for the Dutch shipbuilding industry, which will also affect other companies, such as IHC Holland and Giessen.

After concluding 1976 — as reported earlier — with a major loss, the first in RSV's history, the company's Board stressed that the recently announced massive restructuring plans and the resultant capacity reduction in shipbuilding, were expected to be paid off over 1978.

Daiwa cut 1/2bn. coupon on Euro Yen bond issue

By Douglas Ramsey
TOKYO, April 12 — DAIWA SECURITIES launched the first-ever Yen bond issue after a prompt cut in the interest rate.

Daiwa and its co-leader, S. G. Warburg, have indicated a 7.5% coupon on the Euro Yen offering for the Euro Investment Bank (EIB). 10bn. (\$37.5m.) issue will be seven-year maturity listed on the Tokyo Stock Exchange.

A purchase fund will the average life to 5 if fully operative. Other European and Japanese institutions will partly co-manage in the EIB, and the Industrial Bank of Japan has been named as principal paying agent.

The Euro Yen offers the green light from Finance Ministry and Ministry revised its exchange regulations March to permit the issuance of Yen bonds to certain provisions. Britain has also got blessing on a private part of the U.K.'s oil-producing countries.

The pricing of the issue is expected in but Daiwa officials indicated coupon of 7.5% will stick. The set in recent days initial decision, more fortnight ago, to the 7.75 per cent coupon.

RSV capital injections agreement imminent

BY MICHAEL VAN OS

AMSTERDAM, April 12 —

THE BOARD of RSV, Holland's biggest shipbuilding and engineering company, expects to reach agreement with the Economics Ministry before the end of this month over the reorganisation and question of capital injections needed to reinforce a worsening position.

Its chairman, Mr. Allard Stikker, told a press conference on the publication of the annual report in Rotterdam that the idea was not that the State should take a share in the RSV share capital, but rather that it would issue special loans tied to certain conditions. He would not indicate the size of the assistance, which will be part of the giant Dutch Government-inspired restructuring scheme for the Dutch shipbuilding industry, which will also affect other companies, such as IHC Holland and GiesSEN.

After concluding 1976 — as reported earlier — with a major loss, the first in RSV's history, the company's Board stressed that the recently announced massive restructuring plans and the resultant capacity reduction in shipbuilding, were expected to be paid off over 1978.

Shell Berhad scrip

BY WONG SU LONG

KUALA LUMPUR, April 12 —

THE SHELL Refining Company Berhad has announced a bonus issue of one new share for every one existing Ordinary share, and a final dividend of 15 per cent, making a total dividend of 25 per cent for the year ending December 31, 1976 (20 per cent in previous years).

The company said the bonus issue, which will not rank for the final dividend, came partly from a revaluation of the company's lands and buildings, and partly increase in processing parties, which rose from retained earnings.

The company made a record profit of 11.7m. ringgit, or 31 per cent over 1975.

Interest payable September 15 and March 15

CHRYSLER FINANCIAL CORPORATION

8 1/2% Notes Due 1982

\$125,000,000

Merrill Lynch, Pierce, Fenner & Smith Incorporated

Goldman, Sachs & Co.

Lazard Frères & Co.

Bache Halsey Stuart Inc.

Blyth Eastman Dillon & Co. Incorporated

Drexel Burnham & Co. Incorporated

Hornblower & Weeks-Hemphill, Noyes Incorporated

Kuhn Loeb & Co. Incorporated

Lehman Brothers Incorporated

Wertheim & Co., Inc.

Bear, Stearns & Co.

Alex. Brown & Sons

First of Michigan Corporation

Thomson McKinnon Securities Inc.

ABD Securities Corporation

Basle Securities Corporation

Bateman Eichler, Hill Richards Incorporated

Daiwa Securities America Inc.

Dominion Securities Inc.

Faulkner, Dawkins & Sullivan, Inc.

Robert Fleming Incorporated

Ladenburg, Thalmann & Co. Inc.

McDonald & Company Incorporated

New Court Securities Corporation

The Nikko Securities Co. International, Inc.

Wm. E. Pollock & Co., Inc.

Prescott, Ball & Turben

Rotan Mosle Inc.

SoGen-Swiss International Corporation

Spencer Trask & Co. Incorporated

Tucker, Anthony & R. L. Day, Inc.

Wood Gundy Incorporated

Wood, Struthers & Winthrop Inc.

Salomon Brothers

Warburg Paribas Becker Inc.

Dillon, Read & Co. Inc.

E. F. Hutton & Company Inc.

Reynolds Securities Inc.

Smith Barney, Harris Upham & Co. Incorporated

Manley, Bennett, McDonald & Co.

White, Weld & Co. Incorporated

A. E. Ames & Co. Incorporated

Epac Corp. Incorporated

Epac Corp. Incorporated

Epac Corp. Incorporated

Epac Corp. Incorporated

Eppler, Guerin & Turner, Inc.

R. W. Pressprich & Co. Incorporated

Yamaichi International (America), Inc.

Keefe, Bruyette & Woods, Inc.

Kleinwort, Benson Incorporated

Donaldson, Lufkin & Jenrette Securities Corporation

Kidder, Peabody & Co. Incorporated

Shields Model Roland Securities Incorporated

Robert W. Baird & Co. Incorporated

Dain, Kalman & Quail Incorporated

Piper, Jaffray & Hopwood Incorporated

Suez American Corporation

The Robinson-Humphrey Company, Inc.

Stuart Brothers

UBS-DB Corporation

Ultrafin International Corporation

Yamaichi International (America), Inc.

WALL STREET + OVERSEAS MARKETS

+ FOREIGN EXCHANGES

Early 9.6 rise on quarterly earnings

BY OUR WALL STREET CORRESPONDENT

FURTHER SHARP gains were to \$874, despite reporting lower implementation of Capital Gains Tax on Wall Street to day, after first quarter earnings scored on Wall Street to day, after first quarter earnings reports by leading Industrial Corporations.

By mid-day, the Dow Jones Industrial Average was up a further 2.67 to 938.77 and the NYSE All Common Index was 48.17.

Closing prices and market reports were not available for this edition.

cents higher at \$842.11, while rises unforced losses by about a form-to-one majority. Trading volume 10,835 shares.

But analysts cautioned there are still some uncertainties hanging over the Stock Market, such as the recent progress of inflation and the fate in Congress of President Carter's Stimulus Plan.

The White House said yesterday it will veto the Anti-inflation Programme this Friday.

General Electric moved up \$1.15 at \$801—its first quarter sales and earnings were up "sharply" from a year ago.

DuPont added another \$1 at \$127 on its better than expected first quarter earnings estimate.

General Motors rose \$1 to \$86.13, up 1.3 per cent, Utilities \$0.46 to 482.5, and Banks \$0.40 to 500.00.

Gulfstream Group gained \$1 to \$31.1, Noranda Mines advanced \$1 to \$32.1 and Moore rose \$1 to \$32.3.

PARIS—Market was lower on balance, following the Government's decision to postpone im-

plementation of Capital Gains Tax for shares and bonds.

Gamble-Skelton gained \$1 to \$16.50; Schlumberger \$1.50 to \$62.1; Shell Oil \$1.50 to \$74.4 and Combustion Engineering \$1 to \$68.6.

Data General fell \$1.50 to \$41.1 and Curtiss-Wright dipped \$1 to \$17.1.

Fairchild Camera improved \$1 to \$84.2 and Wrigley's \$1.50 to \$84.1.

CEB were up \$1 at \$80.1 on favourable comment on its out-while look.

THE AMERICAN SE Market Index rose 0.33 to 110.87, while trading volume totalled 1.1m.

In Foreign issues, American, German and Dutch stocks

advanced. Canadians were little changed, International Oils

rose \$1.50 to \$84.2.

BRUSSELS—Most Belgian

shares were lower in quiet trading.

In Foreign stocks, UK issues were mainly little changed, German, Dutch and U.S. shares, but French stocks fell.

AMSTERDAM—Generally firmer, Hoogovens rose Fls.1.50 to 93.7, despite announcing a further six-week period of short time working. Other Dutch Internationals also firms.

Banks and Insurances rose.

Most Trade and Industrials

fell, except Gist Broekman

Fls.12.50 to 55.5 and Bekaert

Fls.12 to 82.2.

Transports were mixed. Van

Ommen advanced Fls.5.50 to 164.

RSV rose Fls.20 to 61.2 after

saying it is seeking Dutch State

aid to Government spending

to combat inflation.

COPENHAGEN—Mixed trend.

In stronger Engineering, Linde

gained DKK.50 to DKK.83 and

Demag DKK.30 to DKK.45. In

higher Electricals, AEG rose

DKK.20 to DKK.38 and Siemens

DKK.20 to DKK.47.

OTHER MARKETS

Canada moves up

Canadian Stock Markets also

moved up yesterday, with only

Globe, down 10.2 to 106.5 on

index, moving against the

general trend.

The Metals and Minerals Index

rose 9.4 to 115.2, Oil and Gas

13.3 to 103.3, Utilities 0.46 to

48.25 and Banks 0.40 to 50.01.

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JOHANNESBURG Gold, —

Industrial, —

Bankers, —

Transport, —

Utilities, —

Trading vol., —

* Basis of index changed from July 1.

April 8 April 1 Mar. 25 Year ago (approx.)

Ind. div. yield % 4.61 4.57 4.55 3.72

STANDARD AND POOR'S

1977 Since completion

Apr. 11 Apr. 6 Apr. 4 Apr. 1 High Low High Low

Industrial 103.88 105.27 106.76 106.87 106.88 106.88 104.84 104.82

Composite 55.84 56.52 57.81 58.51 58.52 58.52 58.52 58.52

Apr. 5 Mar. 30 Mar. 22 Year ago (approx.)

Ind. div. yield % 4.29 4.47 4.18 3.80

I. d. P/E Ratio 10.21 10.27 10.46 13.85

Long Govt. Bond yield 7.75 7.74 7.73 5.80

Indices

NEW YORK—DOW JONES

1977 Since completion

Apr. 11 Apr. 6 Apr. 4 Apr. 1 High Low High Low

Industrial 224.18 218.82 214.75 216.14 215.54 217.05 214.75 213.22

Home/Bonds 50.83 50.83 50.84 50.81 50.84 50.85 50.85 50.85

Transport 225.70 224.86 222.78 226.17 222.46 225.51 225.51 225.51

Utilities 107.11 107.47 107.14 106.98 107.29 108.16 107.11 107.11

Trading vol., —

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STOCK EXCHANGE REPORT

Profit-taking and lack of support undermine Gilts

Equities quietly firm in thin trade—Index up 4.9 at 407.9

Account Dealing Dates

First Declara- Last Account Dealings Date
Mar. 28 Apr. 6 Apr. 7 Apr. 20
Apr. 12 Apr. 21 Apr. 22 May 3
Apr. 25 May 5 May 6 May 17

"New time" dealings may take place from April 18.

Judged by official markings of 4.88 as compared with the recent daily average of 7.80, many stock market operators were taking an extended holiday yesterday as the new Account got under way. In contrast to a quiet firm equity sector, British Funds saw further profit-taking and a marked lack of fresh support, which left quotations with some still with profits found trading conditions after the holiday rather thin and quotations drifted lower consistently. The longer maturities were affected most and several high-coupon issues closed at the day's lower with losses extending to a full point. Shorter issues were sometimes a shade above the most and rarely more than 1 lower; exceptions to the trend were provided by the two stocks now quoted clean. Treasury 3 per cent, 1977, at 97.10 and Electric & GEC, 1976, at 91.10, both hardened 2, while Rayvolt re-

entirely ruled out. Nevertheless, profits AP Cement edged forward 2 to 172p, but G. W. Sparrow shed 4 to 140p.

A firm market recently on the annual report news that the company is to invest more than £26m. in new plants in Britain and Canada. Albright and Wilson improved 2 more to 91p. Elsewhere in quiet firm Chemicals, ICI gained 4 to 332p as did Fisons

where, the Engineering majors made modest progress in thin trading. Hawker hardened 4 to 508p and Tapes were 2 dearer at 378p xd. Firm secondary issues were featured by Taylor Fallister, 5 higher at 30p following the results, and Babcock and Wilcox, 3 up at 24p on Press predictions of bumper profits when the company reports its annual results on April 26.

Associated Television A rose 4 to 74p, with sentiment helped by the success both at home and in the U.S. of the company's Easter production of "Jesus of Nazareth". Despite a lack of activity, Electricals edged a little higher. EMI, 20sp, and GEC, 171p, both hardened 2, while Rayvolt re-

entirely lively trade in the leaders compares with the 97p a share cash offer from the NFG Development Trust which has become unconditional but remains open until April 26.

Hotels and Caterers closed with widespread small gains, partly reflecting Press comment. Trust House Forte edged up 3 to 131p, while similar rises were seen in CCE Investments, 36p, and De Vere, 127p. Adda International were 2 dearer at 18p, mirroring news of the sale of the company's Chelsea Hotel, Sloane Street, for £6m. to Range Ltd.

Gallenkamp feature

Despite termination of the bid talks with an undisclosed concern A. Gallenkamp attracted re-

lived support, on that

notions may yet materialise

and rose to 380p before easing a little to close 16p up on balance at 378p. Scattered demand left Glaxo, 7 dearer at 470p, and Reed International, a similar amount up at 230p, while occasional buying accounted for a rise of 6 to 175p in Turner and Newall. Among other miscellanous Industrial leaders, Bowes Arms 3 to 190p, BSC 2 to 148p, and BOC International 1 to 70p. British Industrial Holdings responded to the interim results with a rise of 2 to 29p xd and week-end Press mention prompted a gain of 3 to 58p in Aronson. Improvements of 4 were marked against Exel, 82p, Hestair, 88p, and Securicor, 36p, while Rockware 2 to 101p following news of the acquisition of Stora of Plastic. Fresh suggestions of a possible bid from the American parent company left Hoover "A" 5 to the good at 285p. Others to reflect favourable Press comment included Scottish and Universal Investments, + higher at 71p, Holt Llyod, 3 firmer at 83p, and Black and Edington, 1 better at 164p. Corral Leisure put on 4 to 135p xd, while interest was shown in Elson and Robbins, which improved 3 to 49p. Coal gained a penny to 56p on the increased dividend and prospects.

Interest in the Property sector remained at a low ebb. MEPC closed a shade lower at 30p despite

Press comment about the

possibility of an independent offer

from the Canadian oilfield

holders to ease a penny on an

included Land Securities 161p, and Stock Conversion, 175p. Elsewhere

reduced speculative demand

prompted a gain of 8 to 75p in

Property Investment and Finance,

but Great Portland Estates were

on offer at 208p, down 8. Peachey

held at 33p, up 13p, following

news that the Board had com-

mitted to a 5% Dividend, and

Estates closed unchanged at

237p following rejection of the

bid from Rothschild Investment

Trust accompanying a property

revaluation.

Booker McConnell improved 4

to 159p in quiet Overseas Traders

where small speculative interest

left William Jacks 2 harder at

15p and Ocean Wilsons 3 better

at 189p.

Investment Trusts were notable

for a late flurry in Estates House,

The Assented and the Non-

Assented closing 4 higher at 287p

and 284p respectively; this

compares with the Commercial

Union bid worth approximately

265p with the latter finishing a

penny harder at 185p. Canadian

Investments improved 5 to 175p,

and Investment, 103, put up 3

pence. Overseas issues made

headway. Rolineco sub-shares rose

7 to 47p, and Robeco sub-shares

improved 13 to 607p. In Financial

hardened 3 to 19p on small buying

in a thin market.

Shipments closed with several

firm spots. Milford Docks con-

tinued firmly, rising 4 to 74p for

a two-day gain of 13 following

week-end Press mention. Lof's

were active and 24 harder at

48p, while Common Bond, 191p,

Defra, 142p, and P & O

Deferred shrank aside the

recent news of its Twentieth

Century Banking subsidiary's loss

and hardened 2 to 135p.

Textiles rarely strayed more

than a penny or two from their

	Apr. 2	Apr. 3	Apr. 4	Apr. 5	Apr. 6
Government Secs	60.15	60.62	60.59	60.86	70.58
Fixed Interest	70.04	70.31	70.25	70.57	70.75
Industrial Ordinary	407.5	403.0	400.5	402.5	412.5
Gold Mines	119.6	118.2	119.2	120.6	122.1
Oil Inv. Yield	5.65	5.56	5.65	5.60	5.51
Earnings Yield (5%)	17.85	17.45	17.55	17.45	17.45
P/E Ratio (5%)	8.40	8.34	8.39	8.36	8.39
Debtors market	4.856	5.859	5.682	5.693	5.642
Equity turnover (5%)	5.41	7.58	6.14	7.17	6.94
Equity bargain total	15.859	18.561	17.044	17.076	17.076

10 a.m. 403.2 11 a.m. 452.2 1 p.m. 467.7

Latest Index 01-08-262. Based on 52 per cent corporation tax. No. 32. Basis 100. Govt. Secs. 18/10/74. Fixed Inv. 12/10/73. Min. 12/10/73. S.E. Active July-Jec. 1972.

HIGHS AND LOWS

S.E. ACTIVE

	High	Low	High	Low
Govt. Secs	70.85	60.45	127.4	49.18
Fixed Inv.	61.01	51.01	151.05	50.10
Industrial Ordinary	70.75	64.99	150.5	50.53
Gold Mines	114.8	114.8	120.1	100.1
Oil Inv. Yield	5.65	5.56	5.65	5.51
Earnings Yield (5%)	17.85	17.45	17.55	17.45
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Opening levels. Courtounds were 3 to 155p, while Blackwood Morton, 231p, and Mackinnon Sonnen, 161p, both closed on balance at 213p, and were 1p dearer tomorrow.

Australians were quiet overnight Sydney market dull while Melbourne was up, with the exception of Up, which moved ahead following nuclear policy statement.

Carter, Pancontinental was standing with an advance to 9 to 153p. Meanwhilst Holdings gave up 5 to 21.

Platinum generally easy, with 3 up to 155p, ex-dividend. Zinc, however, closed 1p up on balance at 213p, and was due tomorrow.

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Platinum generally easy, as did Copper, Metal section, and Ferrous Bands.

Industrial was up to 155p. Tin, lower, at 155p.

Lead, 148p, and Zinc, 155p, were 1p off.

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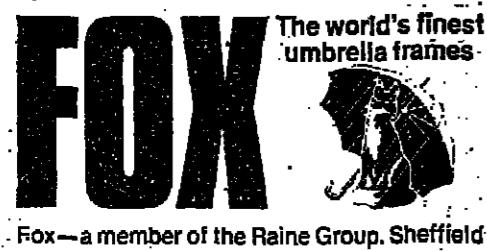
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Lead, 148p



Fox—a member of the Raine Group, Sheffield

FINANCIAL TIMES

Wednesday April 13 1977



NUT adopts secret ballot for elections

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

ACTION TO stop Left-wingers that has to be taken in a democracy.

Another opponent—Mr. John Esterson of Lambeth—said that not one of the 1,500 members of his branch had expressed support for obligatory ballots. Any restrictions that are placed on any member in our union, are also restrictions on all the equality.

By a majority of only 23,650 the NUT, the biggest teachers' body, and the fourth largest white-collar union in the country voted to make secret ballots obligatory for its 560 local branches elections of committee members, representatives and delegates. The new rules, to take effect on January 1, also provide that the decision of a branch meeting chairman on any point may not be challenged during the meeting.

Moderates in the NUT, as in other unions, have complained increasingly that politically motivated minorities secure over-representation in policy-making machinery by packing branch meetings with their supporters.

Many of the union's branches already hold elections voluntarily by ballot but some, including several in urban areas where extremist teachers tend to be concentrated, elect representatives and delegates by show of hands at local meetings.

Opposition to compulsory ballots at the conference was not, however, confined to the Left extremists, only about 60 of whom are estimated to be among the 2,000 delegates.

"If people won't come to the meetings, why should we pander to their apathy?" demanded Mr. Dick Wilcock of Wetherby, who was loudly applauded. The packing of meetings by minority groups, he declared, was "a risk decision was the most significant protest action of any kind."

Post Office to seek EEC grant for retraining technicians

BY MAX WILKINSON

THE POST OFFICE will ask the European Economic Community for financial help in retraining of supervisors and engineering staff is essential if their employment prospects are to be protected.

The EEC Social Fund was set up in 1971 to "increase workers' geographical and occupational mobility within the Community and to help those industries where 'social progress' could lead to unemployment."

In its application, the Post Office detailed its retraining proposals for the next few years, and explained how the retraining would help workers to keep their jobs.

On the basis of the Post Office's plans for retraining this year, the EEC Social Fund grant could amount to £750,500. It is expected that about 2,400 people will be retrained this year and considerably more next year.

The Post Office says that the new technologies represent a major step forward rather than

a reversal of the supply industry.

Owen claims wide agreement

MAPUTO, April 12

DR. DAVID OWEN, Foreign Secretary, this evening ended a day of talks with leaders of Mozambique, the most militant of the African "front-line" states, and declared himself surprised by "the great amount of unanimity in the points of view exchanged."

He said before leaving for Cape Town and a meeting with Abdebenie leader, Mr. Ian Smith, that the meeting here with President Samora Machel and Foreign Minister, Mr. Joaquim Chissano, had "gone extremely well." On his plans for a constitutional conference on Rhodesia, Dr. Owen declared: "I think they believe this is the sensible way of proceeding."

Quentin Peel writes: Dr. Owen insisted that he had not been discouraged by his sceptical reception by Mr. Robert Mugabe, joint leader of the nationalist Patriotic Front in Dar es Salaam, and said his conversation yesterday with President Nyerere had

been "very helpful." On his Daily News, was also discouraging to-day in its editorial on Dr. Owen's visit.

The newspapers said "Unfor-

unately to win the support of Mr. Smith to attend the proposed conference. But he is obviously anxious to work out a constitution for an independent Zimbabwe is not new at all. It

The Foreign Secretary added:

"Unless Britain is willing and able to bring the two parties together." But in constitution of an independent Zimbabwe can only be worked by Mr. Mugabe for talks exclusively between Britain and the Government has been established.

Patriotic Front, he said he was equally determined to hear the views of the people inside able to enforce the decisions of Rhodesia as of the Patriotic Front outside after an African majority conference.

A conference drawn up on an other basis would not be acceptable to the U.K. Parliament.

It now looks increasingly likely that Dr. Owen will visit Rhodesia at the end of his shuttle through Cape Town, Gaberone and Lusaka, before returning to London via Lagos.

But any visit to Salisbury still depends on the outcome of tomorrow's talks with Mr. Smith in Cape Town.

The Government-owned news-

marched. They clashed with the security forces.

In Belfast, the Provisional leadership has called for "thousands" of its supporters to travel south on Saturday, and "tens of thousands" if the march is action.

The Provisonalists have published an eight-point list of demands, chiefly concerned with conditions in Portlaoise maximum-security prison, where most convicted IRA men are held.

Mr. Patrick Cooney, Justice Minister, has repeatedly stressed that he can make no concessions. To do so would implicitly admit the Provisonalists' allegations of brutality and harassment.

Mr. Cosgrave is assessing the advisability of banning the demonstration which the Provisonalists have called in the center of Dublin for this coming Saturday afternoon in support of the hunger strikers.

Last Easter a similar rally was organised. Although it was proscribed by the authorities 7,000 Provisonal sympathisers

expected soon, possibly in late May or early June, the outcome of the hunger strike is certain to carry political implications—a calculation the Provisionalists have taken into account in timing the action.

The Provisionalists have published an eight-point list of demands, chiefly concerned with conditions in Portlaoise maximum-security prison, where most convicted IRA men are held.

Mr. Patrick Cooney, Justice Minister, has repeatedly stressed that he can make no concessions. To do so would implicitly admit the Provisionalists' allegations of brutality and harassment.

Mr. Cosgrave is assessing the advisability of banning the demonstration which the Provisionalists have called in the center of Dublin for this coming Saturday afternoon in support of the hunger strikers.

Last Easter a similar rally was organised. Although it was proscribed by the authorities 7,000 Provisonal sympathisers

is being used to disguise the much broader question of a

Capri production switched back to Halewood

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

FORD UK plans to restart production of the Capri at its Halewood plant in Liverpool only about a year after manufacturing was moved to Germany to help the British factory step up output of the Escort.

Output of the Escort, however, has scarcely gone up at Halewood in spite of these changes, and this is one factor behind Ford's disappointing production record so far this year. In January and February, for example, the company produced an average of 7,917 cars a week against 8,151 a year ago, although the new Fiesta is a larger volume car than the Granada it replaced on the Dagenham production lines.

The company says it had always planned to bring the Capri back to Britain, but the move comes against a background of disappointment with the recent performance of the Halewood plant. Ford executives are unhappy with the company's inability to raise Halewood production to anywhere near the 1,000 units a day to which the plant is said to be capable.

Last year the Capri lines were moved as part of a move to increase Halewood's Escort production. The idea was to concentrate the Liverpool factory's facilities on one model and raise production levels from about 750 cars a day to 1,000.

It was hoped as a result to build up Escort exports to the rest of Europe, where Ford UK had a poor record in recent years. Halewood would therefore hope of raising Escort production to the 1,000 a day level, and that the major export bid with the cat will therefore go by the board.

General Motors halts Wankel development

BY STUART FLEMING

GENERAL MOTORS, the leading U.S. car manufacturer, is stopping all research and development work on the Wankel rotary engine, the company said today.

A spokesman said that while the company had made improvements in many areas of the engine's technology, it had come to the conclusion that the machine did not demonstrate the potential for low emission levels and fuel economy equal to conventional units.

The decision is a severe blow to the promoters of rotary engine technology. General Motors is the biggest U.S. licensee. As long as the company was prepared to put its financial resources into developing the rotary engine, there was considerable optimism about its future.

The company refused to disclose how much it had spent on research and development of the engine in addition to the licence fees. It said that it would continue to monitor developments because of the engine's advantages of smaller size and less weight than conventional units.

Schroders to pay man who resigned £58,000

BY MICHAEL LAFFERTY, CITY STAFF

SCHRODERS, the City merchant bank, is to make a \$100,000 (£58,000) ex gratia payment to Mr. James Wolfensohn, former deputy chairman, who resigned in December after a Boardroom shake-up.

Mr. Wolfensohn has since become a partner in Solomon Brothers, a prominent U.S. broking firm.

It appears that Mr. Wolfensohn's departure from Schroders reflected the fact that he was not working mainly outside the U.K., particularly in the U.S.

If under this option no engines

were produced by December 31, 1989, no payments would be made. General Motors took the second option.

Continued from Page 1

Yen rises against dollar

clearly beginning to feel the pinch.

Gueses about future movements of the yen rate vary widely but one school of thought holds that it could touch a level of \$1 to £1.26 between now and the London summit meeting, though probably only briefly. A strong yen would be diplomatically convenient for Japan which expects to come under strong pressure at the summit for the adoption of measures to refute

its economy.

Turnover on the spot market in Tokyo to-day was \$278m, almost the same as Monday's turnover of \$276m. The yen has now appreciated by just over 8 per cent. against the dollar since last November when the present upward trend first became noticeable.

It is still well below its historical peak which was reached in the summer of 1973 when the rate briefly touched \$1 to Y254.

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